## FINANCIAL TIMES

Start the week



Glaxo Wellcome

Implementing a mega-merger



**Internet horrors** 

Crime, porn, privacy invasion



Today's surveys

Pakistan Asian telecoms

Separate sections

#### World Business Newspaper

#### **US chemicals group** to invest \$1.5bn in bid to boost sales

Huntsman, the privately-owned US chemicals company, plans to invest up to \$300m in the UK as part of \$1.5bn worldwide investment programme intended to double its output by the end of the intended to double its output by the end of the decade. Roughly half the UK investment will be spent on Huntsman's biggest British plant, at Carrington in northern England, which makes polystyrene. The company aims to double its global output of polystyrene to 1.17m tonnes by the end of 1998. Huntsman is the second-largest producer of the plastic in the US. Page 6

Viacom joins Kirch in five-year alliance: Viacom, the US entertainment giant, and Kirch-Gruppe, the German media group, have formed a five-year strategic alliance aimed at giving Viacom a footbold in Germany and strengthening Kirch'e grip on the distribution rights of US-produced films and television shows. Page 21

Sinn Féin may take part in poll: Sinn Féin, the political wing of the Irish Republican Army, signailed that it might contest next month's elections to a peace forum, raising hopes that proposed all-party talks on the future of Northern Ireland would go ahead in June. Page 16

Bildt delays decision on Serbs: Carl Bildt, who is responsible for implementing the civilian side of the Dayton accord on Bosnia, bas given the go-ahead to an international donors' conference for reconstruction in the war-torn republic but said he would decide tomorrow whether the Bosnian Serbs would be invited. Page 2

UK minister appeals to Japan on imports: UK trade and industry secretary Ian Lang urged Tokyo to deregulate its import markets as he left London with more than 100 senior executives on Britain's largest trade mission to Japan. Page 6; Japan's central bank listens, Page 4

Verdict boosts case against Andreottic The use of Mafia members co-operating with Italian justice under witness protection programmes has been vindicated in a test case trial in Palermo. The outcome may have important consequences for the trial of former prime minister Giulio Andreotti, accused of having links with the Mafia. Page 2

Volvo, the Swedish cars and trucks group, remains committed to its \$500m US investment programme in spite of a 36 per cent drop in North American truck sales in the first quarter. Page 19

Industrial conflict in west at 50-year low: Industrial conflict in the western industrialised world has fallen to its lowest level for more than 50 years, according to the latest international statistics on strike activity. Page 3

46.11

Andreas

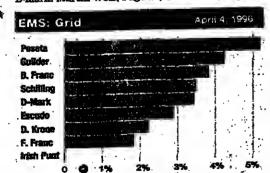
the price of digital cellular mobile phones and improvements in coverage have helped lift the number of cellular subscribers in western Europe by -. more than 60 per cent to almost 23m. Page 19

Mercury suitors line up to be counted: The list of potential buyers for Mercury Communica-tions in the UK, chief domestic rival to British Telecommunications, is lengthening as negotiations which could lead to a merger between BT and Cable and Wireless intensify. Page 19; Lex, Page 18

Rentokil, the UK industrial services group, said it had not made a decision about whether to raise its hostile takeover £1.9bn (\$2.8bn) bid for rival BET.

Chrysler has agreed to sell its defence electronics and airborne systems businesses to Raytheon for \$475m. Page 21

European Monetary System: in the quiet run-up to the Easter weekend, there was no change to the order of currencies in the EMS grid. There was also very little change in the spread between the strongest and weakest. After a cut in interest rates the peseta dipped below Pta84 against the D-Mark for the first time since December 1994. The French franc is also at a two year high against the D-Mark. Martin Wolf, Page 16; Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in o 2.25 per cent band.

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Tokyo: Nikkei	271.50) New York: Implified   1,53105   1,53105   1,77.19   1,77.1
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Federal Funds	DM 1.47675 FFF 5.0355 SF: 1.1918 Y 197.38
# GOLD	Tokyo close Y 107,8
New York Cornex (June) \$400.7	(396.6) Loadon markets closed





TUESDAY APRIL 9 1996

Strong job figures revive worries that inflationary pressures could erode bond values

## Wall Street tumbles on rate fears

Rising long-term interest rates sent US share prices sharply lower in early trading yesterday on the heels of Friday's surprisingly strong figures for March employment growth.

The creation of 140,000 non-farm jobs in March followed a 624,000 jump in February, worrying investors that the Federal Reservs's efforts to spark economic growth by lowering interest rates were over - at least in the short term.

Those figures revived fears that inflationary pressures could emerge and erode the value of longer-term bonds.

There was no equity trading on Friday, in observance of Good Friday, but bonds tumbled in an abbreviated session. Yesterday the benchmark 30-year Treasury bond fell another % of a point hy early afternoon on top of the near 2 points it lost on Friday, bring-ing the yield to 6.906, its highest level since August last year. By 1.30pm, the Dow Jones Industrial Average was 129.70 points lower at 5,553.18.

Analysts attributed the slide in

equities to the growing attrac-tiveness of bonds, given their higher yields, and to concerns that rising wages might take s toll on corporate profits. Given recent signs of economic growth, much attention will be paid to figures for March pro-

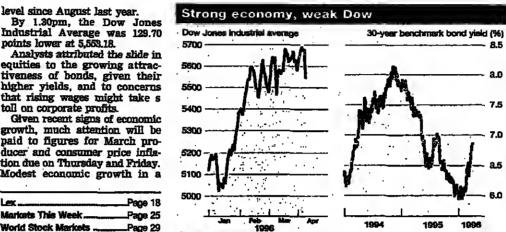
Page 18 Markets This Week. Page 25 World Stock Markets

tion due on Thursday and Friday.

ling the US stock market higher through much of last year. Mr John Lipsky, chief econo-

low-inflation environment has

been one of main factors propel-



he expected the inflation figures to start rising more quickly than for most of last year, thus inspiring further market pessimism in the short term. Salomon was

forecasting a 0.5 per cent jump in

the producer price index and a 0.4 per cent increase in the consumer price index.

There is agreement on Wall Street that the Federal Reserve will not lower interest rates over

the next few months, but observ-ers are divided about longer-term prospects for monetary policy.

Mr Lipsky believes that if

recent signs of economic strength are a temporary rebound from the sluggish growth seen last year, the Fed could resume cutting interest rates at the end of the year.

On the other side of the debate is Mr Stephen Roach, chief economist at Morgan Stanley, wbo said: "I could say unequivocally that the easing for this business cycle is finished.

"If the Fed were to lower rates

again it would be a dangerous and reckless move," be said. He expected the Fed to raise interest rates as much as half a percentage point hy the end of

the year. Separately, the board of the New York Stock Exchange voted to apply to the Securities and **Exchange Commission to change** some trading halts triggered by sharp declines on the market.

Mr Robert Parry, president o the San Francisco Federal Reserve Bank, said the US economy was returning to a period of moderate growth following a short period of weakness earlier this year.

He said the weakness was "due primarily to weather-related events" as well as the US government shutdown.

In Japan, coocerns about an increase in US interest rates had earlier triggered a 1.3 per cent fall in the Nikkei average.

The rise in US bond yields on Friday alarmed investors in Tokyo, who feared a fall-off in equity purchases by the US pension funds which have driven the Japanese market higher in recent months.

Madrid, the only mainstream European market to trade vesterday, fell 1.04 per cent, tracking bond market losses.

Greek markets were also open, and the Athens general index closed down 0.55 per cent.



Border pairol: South Korean soldiers guard the demilitarised zone separating the two Koreas yesterday. Over the last few days soldiers from the North have staged military exercises in the area, in violation of a truce. Theatre of war, Page 18; Trial clouds election, Page 4

## New technology 'to bring boost in oil production'

By Robert Corzine in London

Oil production from existing reserves could be dramatically increased within the next decade according to the world's largest oil services group.

Schlumberger, tha big Franco-American group, believes new production technology is set to add billions of barrels to total world reserves, while extending tion regions, such as the US Gulf of Mexico and the North Sea. Mr Euan Baird, chairman and

chief executive of Schlumberger, said the ability to identify and extract just half of the oil that has been bypassed in existing fields would boost the average world recovery rate from 35 per cent to 50 per cent.

The key to achieving such a gain would be improved understanding of local geology combined with the ability to "moni-

fluid movements" within oil rest. : pirs. Mr Baird said achieving precise monitoring and control of wells was the oil industry's "new holy grail," and a goal Schlumberger hoped to achieve within 10

Industry analysts said the 50 per cent recovery target "was not unreasonable" given the current pace of technological advance, although Schlumberger's 10-year tune reservoirs appeared ambitions to some. Mr John Lichthlau of the Petroleum Industry Research Foundation in New York said such a boost in recovery rates would be needed within 10 years "if the world was to avoid an oil supply crunch".

Mr Baird said no major technological breakthroughs would be required, although there would have to be evolutionary advances in a number of areas. These

Continued on Page 18

#### **Crédit** Lyonnais set to open longer hours

By David Buchan in Paris

The state-owned Crédit Lyonnais bank has agreed with two of its unions a deal on flexible hours that could sweep away rigid French banking regulations dat-ing back nearly 60 years.

The agreement gives employ-ees a reduced working week from 39 to 37 hours at the same pay in return for agreeing a shift system that will allow the bank to stay open longer hours, possi-hly for six days a week.

This runs counter to a 1937 decree, from the left-wing Popular Front government of the time, which requires regular commercial banks to give staff two consecutive days off - one of which must be Sunday - a week.

The decree, which provides for exemptions, has been flouted by agreements within a few smaller institutions, but never breached by any of France's big three banks - Crédit Lyonnais, Société Générale and BNP.

The agreement reached with two moderate unions, SNB-CGC and the CFTC, reflects increasing disregard for the outdated restrictions, which oddly do not apply to savings and mutual

Russian bank crisis threatens to derail economic reforms

By John Thombill in Moscov About one in five of Russia's new

generation of commercial banks has already gone bust or is in severe financial trouble, threatening to derail the country's eco-nomic reform programme, according to the Association of Russian Banks.

Mr Sergei Yegorov, the association's president, said it was illusory to talk of financial stabilisation while the sector was experiencing such a grave crisis. He said the central bank had classified 430 financial institutions, accounting for 10 per cent of the country's monstary and lending system, as problem banks. Over 300 had already lost

their licences Mr Sergel Dubinin, the central bank governor who was attend-ing the association's congress, held out little prospect of government relief. He said there would be no further easing of reserve requirements and promised a continuing monetary squeeze designed to cut the monthly inflation rate to 1 per cent by the

year's end. Next month, the central bank will cut banks' reserve requirements on 30-day rouble deposit accounts from 20 per cent to 18 per cent to inject more liquidity

CONTENTS

into the financial system. But the hank has stressed repeatedly it. will not hail out the weaker banks even though it is encouraging them to merge to streng-then their financial positions.

Russia's banking sector, which expanded furiously on the back of cheap credit and high infla-tion, has been experiencing a slow motion implosion for sev eral months as the government's stabilisation programme begins to take effect. Some cash-starved banks appear to have recently dumped their Treasury bill port-folios to raise money.

A European Union-sponsored report on the Russian banking sector has predicted as many as 1,600 of Russia's 2,285 activa banks would disappear over the next few years. However, several economists

have argued that the contraction of the banking sector is both necessary and healthy. Mr Pavel Teplukhin, economist at Troika-Dialog, a Russian stockbroker, doubted whether problems at marginal banks would have a much broader economic impact. There is no problem of liquid-

ity in the economy as a whole but only with the allocation of this liquidity within the banking sector," he said. "We do not need so many banks."





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Currencies & Money ...

LOMBON - LIERS - PARIS - FRANKFRIKT - STOCKURLIK - MADRIO - RIEK YORK - LOS AMGELES - TOKYO - EONG KOME

## Bildt delays Serb decision

Mr Carl Bildt, who is responsible for implementing the civilian side of the Dayton accord on Bosnia, yesterday gave the go-ahead to an international donors' conference for reconstruction in the war torn republic but said be would

decide tomorrow whether the Bosnian Serbs would be invited. Bosnian Serbs yesterday said they would free three war prisoners but hold 16 more as suspected war criminals. Mr Bildt last month said Serbs, Moslems and Croats - Bosnia's former warring parties - must release all remaining prisoners if they were to attend the donors' conference in Brussels on April 12 and 13 which hopes to raise \$1.2hn in emergency reconstruction aid.

A Bosnian Serb official yesterday said the detainees had now been moved to Pale, the Bosnian Serb stronghold, at the request of Mr Michael Steiner, deputy to Mr Bildt. The Red Cross was allowed to visit them. Tanjug, the Yugoslav state news agency, said the Bosnian Serbs bad given evidence against the 16 to the war crimes tribunal in The Hague.

According to the Red Cross, the Bosnian Croats last week still held 44 prisoners, the Moslem-led Bosnian government 28, and the Serbs 16. On Friday the Moslems freed 18 Serbs and the Croats 28 prisoners. The position of the rest was unclear.

■ Yugoslavia and Macedonia yesterday agreed to normalise relations. Foreign ministers from the two countries signed a treaty providing for immediate negotations on economic co-operation and trade as well as the free movement of people and goods between the two states.

#### Over 100 die in Kurdish clashes

Turkish security officials said yesterday that 27 soldiers and 90 Kurdish rebels had been killed in three days of harsh fighting in the country's south-east. The clashes, in the mountainous northern part of the province of Diyarbakir and in nearby Bingol province, had been among the bloodiest of the 12-year-old campaign by the Kurdistan Workers Party (PKK) for autonomy or independence in the region, they said.

The governor's office in the city of Diyarbakir said the fighting began last Friday when troops spotted a group of between 200-250 PKK fighters. The guerillas declared a unilateral ceasefire last December but Turkey has ignored it. At that time, the rebel leader, Mr Abdullah Ocalan, ordered his forces not to launch raids hut said they would fight back if

Clasbes in five different places near the towns of Lice in Diyarhakir province and Genc in Bingol province were reported continuing yesterday evening.

#### Banesto inquiry completed

A Madrid judge vesterday concluded a 17-month inquiry into the near collapse of Banco Español de Crédito (Banesto) in December 1993 and paved the way for the trial of Mr Mario Conde, Banesto's former chairman, and nine other directors. Judge Manuel Garcia-Castellon's investigation, which runs to 85,000 pages, will now be examined by the public prosecutor who has a month in which to draw up formal charges and request a trial.

Considered the most complex financial investigation ever undertaken in Spain, the probe centred on allegations that Mr Conde and former Banesto executives defrauded the bank by bnying Banesto-owned properties which the bank later repurchased at inflated prices. Mr Conde and his fellow directors, who deny husiness malpractice, were dismissed from Banesto hy the Bank of Spain which accused them of "grossly over-valuing" the bank's assets.

Banesto was acquired by Banco Santander in April 1994 after a Pta730bo (\$5.3hn) rescue operation, the biggest ever mounted for a domestic bank, Mr Conde, who had been remanded in custody, was released in Fehruary last year on

#### Portuguese concern on Emu

Portugal's top husinessmen have called on the government not to participate in European monetary union before Spain and Italy. More than 50 company and bank chiefs warn in a consultative document that currency devaluations by Spain or Italy could badly damage Portugal's competitiveness if it signed up to a single currency before them.

Spain and Italy are Portugal's biggest competitors in overseas markets as well as important trading partners. Although economists cast doubt on Portugal's ability to meet the requirements for a single currency if it is launched in 1999, inflation is lower than in Spain or Italy and interest rates have been falling faster.

Meanwhile, the government has indicated that Portugal aims to remain part of the European Monetary System if it fails to meet converge oce criteria. Peter Wise, Lisbon

## Emergency team sent to Kiev after government overshoots spending target

## IMF calls off \$1.6bn loan to Ukraine

By Matthew Kaminski in Kiev

The International Monetary Fund yesterday sent an emergency mission to Kiev after cancelling a \$1.6bn loan programme because Ukraine overshot its spending target.

The IMF's surprise decision, coming just a week before what was expected to be board approval, deals a further blow to Ukrainian economic reform. The Kiev government, ner-

vous about a spillover of antireform sentiment in the Rus-sian presidential election in in fresh currency printed

June, had planned to use the at the central bank. funds to defend the currency and pay for its energy imports. The emergency IMF mission this week will begin negotia-

tions on an entirely new standby programme involving \$900m, which western officials are boping can be dishursed by next month The IMF acted when Ukraine

overshot its first quarter spending target by 11,000bn karbovanets (\$57m), or roughly 1 per cent of the quarter's

IMF is believed to be looking for fresh commitments on budget and inflation policy. But a western official in Klev

A senior IMF official in

Washington called the cancel-

lation "most unfortunate", hut

thought the economic impact

would be "limited" as long as

the talks moved quickly. The

\$200m, when parliament passed the 1996 budget in late

said the latest setback might further undermine confidence in economic reform, launched hy President Leonid Kuchma

in Jannary the IMF

with \$700m undisbursed after a larger than anticipated 1995 hudget deficit and high import arrears. The IMF expected to revive the loan, with an added

Marcb. Over the past year, Ukraine's government managed to lower inflation to about 140 per cent last year and reduce the budget deficit. However, western donors fault Kiev for failing to keep a tight rein on money expansion and to push ahead

economy remains among the weakest in eastern Europe. Gross domestic product fell 12 per ceut last year.

The president last week reaffirmed the government's commitment to reform and stabilisation in a speecb before a largely hostile parliament.

Mr Anders Aslund, a Swedish economist and adviser to the Ukrainian government, said vesterday the excess spending was "an accident" caused by poor financial management. "They'll now bave to

with privatisation. Ukraine's restrict fiscal and monetary economy remains among the policy further." he added, They have no chuice."

However, Mr Kuchma remaius susceptible to pressure from a vocal industrial lobby that wants state financial support and npposes attempts to restructure enter-

prises through privatisation. A presidential decree, released at the weekend, cast doubt on his willingness to stand up to the factory directors. It extended a grace period for paying enterprise debt to an unspecified "several years".

## Yeltsin woos votes with savings pledge

Gianfranco Fini and four

minor groupings, "We believe part of the League vote has

already shifted to AN," says Mr Andrea Merlotti, elected as

a Forza Italia deputy for Man-

tua in 1994 and who is standing

of the Forza Italia electorate

might move to AN which

polled just under 6 per cent of

the vote here last time. Even

with a substantial strengthen-

ing of AN, it would be surpris-

ing if the rightwing alliance

two small groups in the alli-

ance, formed from the old

Christian Democrat right, are

still smarting over heing

denied their own candidate in this college. They are also not happy at the way Mr Berlus-coni's Forza Italia is being

pushed to the right - a move

which could drive some of

their voters into the centre-left

stretches north to the lakes

and south to the "red belt" of

Emilia Romagna. It comprises

both a traditionally conserva-

tive Catholic vote in the small

towns and rural economy, as well as traders, artisans and an

important industrial electorate

in the numerous medium-sized

This is familiar territory to Mr Romano Prodi, leader of the

Oliver Tree alliance who

entered politics last year. As

engineering groups.

The Mantua electoral college

camp.

As it is the CCD and CDU,

touched 40 per cent.

He also concedes that some

By John Thornhill

Pensioners and cheated investors have become the latest targets of President Boris Yeltsin's promises of pre-electoral largesse as the embattled Russian leader seeks to woo core supporters of

the Communist party.
In a desperate effort to win the votes of the elderly. Mr Yeltsin yesterday signed two decrees to ensure the prompt payment of pension arrears and compensate depositors whose savings were ravaged by the hyperinflation of the early reform era.

"We are not bnying votes for the forthcoming presidential elections. The

1996 hudget is tight," said Mr Alexander Livshits, the president's chief economics aide. "But we are now able to pay the debts and it would be shameful

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"Wb"

ELECTIONS city of Mantua,

cio close to its confluence with

the Po, northern Italy's great

Padania, of course, does not

yet exist. But in the mind of

Mr Umberto Bossi, leader of the populist Northern League,

it is the future secessionist

chunk of northern italy. In

essence, the new state would

cover the course of the Po and

extend to the east, hy invita-

Mantua would take advan-

tage of its strategic position to

spawn the new mini-republic

enjoying the highest per capita

income in Europe. Already, the

League has chosen Mantua as

the site for its self-styled "Par-

liament of the North", which

tion, into the Veneto.

ITALIAN

jackpot answer

would he the

on the banks of

the river Min-

not to do it." The government would grant a six-month loan of Rhs4,000bn (£540m) to the state pension fund to ensure all pension arrears were eliminated by the end of the month. The money would be raised from issuing short-term government bonds and taxes. Mr Livshits said.

A separate decree also instructed the government, the central bank, and Sberbank, the state savings bank, to create a federal mechanism for restoring private savings destroyed by hyperinflation. Sherbank's 70m depositors. many of them elderly, are estimated to have lost more than Rbs800,000bn (in today's moneyl.

Mr Livshits said trying to pay this sum in full would be like trying to "swim across the Pacific Ocean". But a

Italian poll fuels hopes

for independent north

boasts 384 delegates.

has convened 10 times and

bot and cold on the idea of

secession from the "robber

government in Rome" for

almost four years. But, as the

campaign for general elections

on April 21 gathers pace, he is

He has refused an electoral

pact with either the centre-left

or rightwing alliances. In the

north this has created an

uncertain three-cornered con-

test under italy's electoral laws

which apportion 75 per cent of

seats to a first-past-the-post

system and the remainder to

here in electoral colleges [areas

with more than one constitu-ency] like Mantua will be deci-

sive in determining the national result," says Mr

Armando Federici-Canova,

regional organiser for the cen-

tre-left Olive Tree alliance.

"The League vote will fall and who gets this will probably win

In the 1994 general elections

the League forged a highly

advantageous alliance with the

then new Forza Italia move-

ment of Mr Silvio Berlusconi.

Between them in this part of

Lombardy they picked up 45

per cent of the vote (split 26.7

per cent Forza Italia and 18.4

This time, Forza Italia is

teamed with the rightwing

nationwide."

per cent League).

The outcome of the vote

proportional representation.

playing the secessionist card.

Mr Bossi has been blowing

ated within three months to start the

Mr Yeltsin's energetic campaigning and extravagant promises have enabled the unpopular Russian leader to close the gap on his chief challenger. Mr Gennady Zyuganov, the Communist party leader. But opiniun polls suggest the higgest grievance for Russian voters remains the conflict in Chechnya which has already cost 30,000 lives.

A recent peace plan proposed by Mr Yeltsin has been coolly received in Chechnya. Bnt Mr Nursultan Nazarbayev, president of Kazakhstan, and Mr Mintimer Shaimiev, president of the central Russian republic of Tatarstan, have agreed to act as intermediaries and may give the peace process fresh

The two leaders head mainly Moslem

regions and are likely to gain a wider hearing among Chechnya's Moslem

leadership. Mr Vyacheslav Mikhailov, Russia's nationalities minister, said indirect talks with Mr Dzhokhar Dudayev, the rebel Chechen leader, might begin this month. "Some members of the Dudayev circle, including the head of the rebel staff, Aslan Maskhadov, support this idea." he said.

Bnt Mr Dudayev yesterday called upon Mr Yeltsin to sack those members of his entourage who no longer obeyed his orders to stop fighting and discredited the peace mitiative.

Russian newsagencles reported fight-ing continued vesterday around the Chechen village of Goiskoe, where more than 30 Russian troops bave been

killed in recent days.

#### German unions in hint over sick pay

By Wolfgang Münchau in Frankfurt

Leading German trade unionists have expressed readiness to compromise over cuts in sick pay, breaking a loug-standing taboo on an emo-tive issue over which they have been at loggerheads with employers for years. Mr Fritz Schösser, head of the Bovarian section of the DGB union federation, told the newspaper Bild am Sountag it was no longer sensible to include overtime pay in determining the level of

sick pay. His statement is seen as a concession in debate on a key issue facing the German welfare state. Employees are entitled to full sick pay from the first day of illness, the amount being based on the basic wage plus extras, such as overtime and other one-off payments. Employers complain workers are more prone to fall ill after months during which they

earned above-average wages.

The Bavarian DGB leader said unions favoured cuts in overtime, and it would therefore be "sensible and logical if overtime bonuses no longer go into calculations of sick pay". Inclusion of overtime pay in calculating sick pay currently cost Bavarian companies about DM1.3hn (\$870m) annually. Other benefits, such as hollday

RJ ·

the union movement was ready to discuss "painful measures" including sick pay, as long as cuts were fairly distributed. Readiness to tackle ahuse of sick pay also appeared to be growing among memhers in the governing coalition. Mr Norbert Blüm, labour minister, said employees who worked should always he better off than those who staved at home. The employers' lohby is pushing hard for entitlement

wbo stay ill for more than several days. They believe thresholds would reduce one-day truancy, which is more frequent on Mondays than other days. Germany's pension system: Robert Graham | Storm on the horizon, Page 17

PIEDMONT rely on the Communists'

an economics professor from nearby Bologna, be has specialised in the problems of small and medium-sized businesses. In the last elections the centreleft, including Reconstructed Communism formed from hardline members of the old Communist party, mustered just over 40 per cent. If Mr Prodi cannot improve on this here, the Olive Tree will be in

Padania: Bossi's dream

trouble. "We have not made an alliance with the League because our memhers consider Bossi unreliable and are anti-secession," observes Mr Federici-Canova. Instead, they have concluded "desisting pacts" with Reconstructed Communism. These pacts are one of the more curious inventions of Italian political machination. In effect, the centre-left agrees to allow Reconstructed Communism (RC) to field a candi-

return for their support in another. The reliance on RC is a dou-ble-edged weapon. "How can the Olive Tree offer a credible

government when they have to

date unopposed in one seat in

votes?" questions Mr Merlotti of Forza Italia.

VENETO

A higger imponderable is that of the party just formed by the caretaker premier, Mr Lamberto Dini, His Dini Italian Renewal has been given one of the three chamber of deputy seats to contest, hacked hy the Olive Tree Alliance. At a local level this was extremely unpopular because a candidate well known in the community was elbowed aside to make way for Mr Diego Masi, an ambitious politician who failed to win the election to run the

Such insensitivity to local opinion has turned Mr Masi's seat into a genuine three-way contest. League officials say they do not mind if they lose, convinced they have a hard core of voters who will hack Mr Bossi even if he openly favours secession. Indeed, if the League loses out heavily, secessionist noises may well become louder.

pay, should stay part of the pay formula, he added. Mr Dieter Schulte, president of the DGB, also indicated that

thresholds, which would restrict sick pay to employees

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## Verdict boosts case against Andreotti

By Robert Graham in Rome

The use of pentiti - Maña members co-operating with Italian justice under witness protection programmes - has been vindicated in a test case trial in Palermo. The outcome is likely to

have important consequences for the trial of former prime minister Mr Giulio Andreotti, who is accused of having links with the Mafia. The accusations against him stem in part from testimony provided by 10 of the *pentiti* whose evidence was accepted in the Palermo

This concerned Mr Bruno

Contrada, a career policeman who rose to become the bead of state intelligence monitoring Cosa Nostra, the umbrella organisation of the Sicilian Mafia. Last Friday, Mr Contrada was sentenced to 10 years' imprisonment for having provided favours and protection to Mafia hosses for

It was the first time a senior servant of state had been found guilty of such a crime. During 169 court hearings, the prosecutiun called 66-witnesses and the defence 171, including five former police chiefs, senior intelligeoce figures and a for-

more than a decade.

However, the judge accepted the prosecution case that Mr Contrada had become a double agent working not for the state hut the ruling clans of Cosa Nostra. Mr. Contrada bad passed on sensitive police information, enabling Mafia leaders to stay at large. Mr Toto Riina, the acknowledged boss of bosses, was arrested within two months of Mr Contrada's own arrest. -

The trial judge is the same as that hearing the case against Mr Andreotti which began last September. The Andreotti proceedings have most of the court's time and because an assistant indge has had bealth problems. The accusations against the

76-vear-old Mr Contrada came from all the main pentiti. including the historic figure of Mr Tommaso Buscetta. If the court had found to the contrary, it would have proved a serious blow to the pentiti system, which over the past five years bas become one of the state's main weapons in its fight against the Mafia.

Mr Contrada insisted on his innocence and claimed he was victim of a political vendetta. been held up both because the. Ha has received support from Contrada case has taken up politicians in the rightwing

alliance of former premier Mr Silvio Berlusconi who say the evidence was too flimsy.

The political divisions over the decision, with the centre-left backing the Palermo public prosecutor, could cause probiems after the April 21 elections. Palermo magistrates now appear determined to investigate whether several prominent character witness for Mr Contrada perjured

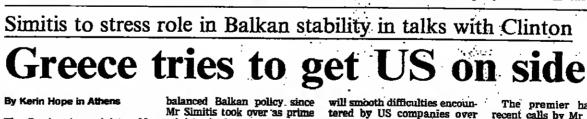
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The Greek prime minister, Mr Costas Simitis, is expected to stress his country's commit-ment to promoting atability in tbe Balkans when be meets President Bill Clinton at the White House today.

Mr Simitis, anxious to make a positive impression on his first trip to the US as premier, will emphasise both his government's efforts to improve ties with its northern neighbours and the constructive role of Greece's \$500m investment

Mr Simitis took over as prime minister in January. It has distanced itself from its traditional ally Serbia by sending peacekeepers to Bosnia and. for the first time, shown a willingness to compromise in a five-year dispute over the former Yugoslav republic of Mac-edonia's choice of name.

Officials said Mr Shnitis was keen to encourage US investors to make use of Greek expertise in the Balkana hy channelling funds to the region through Athans-based subsidiaries. However, be must first Greece has adopted a more give assurances that Greece

copyright, taxation and

US concerns about anti-American terrorism-in Greece and security at Athens airport. While he is certain to seek US aupport for Greece's position in its disputes with Tur-

key, his decision to leave the combative defence minister. Mr Gerasimos Arsenis, behind in Athens signalled that the Aegean quarrel which brought Greece and Turkey to the brink of war January is not the overriding priority of his trip.

The premier has ignored recent calls by Mr Arsenis for a tougher policy towards Turaccounting practices. key, including making alli-Mr Simitis must also allay: ances with other countries that are at odds with Ankara, in favour of a softer strategy that would bring Greece closer to its western allies.

Greece now appears closer to accepting a US proposal for holding direct talks with Tur key on a broad range of disputes, provided that the Turks agree that questions of sovereignty over Aegean islands should be settled by the international court at The

#### **NEWS: INTERNATIONAL**

## EU to boost Mideast role

By James Whittington in Cairo

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President Jacques Chirac of France yesterday completed a two-stop tour of the Middle East by promising to give "a new vitality" to French sup-port for the Middle East peace process, particularly "the aspi-

rations of the Arab world"
In an address given at Cairo
University, which was billed by his delegation as an impor-tant indication of France's new vision for the region, he said Europe should live up to its responsibilities by playing a more influential role in the Middle East.

Europe must "no longer be just a dispenser of funds", but should "bring, more than ever, its political contribution to a peaceful solution in which it should be a co-sponsor," he

The president called for a summit of Mediterranean heads of state to follow up on a foreign ministers' meeting in Barcelona last November. The summit would work out a regional zone of stability and economic development.

He also refloated the idea of an international institution which would oversee the distribution of water resources following a proposed regional pact on the issue.

Mr Chirac's speech was welcomed by Egyptian officials and commentators who hope a more proactive French and European stance on Arab ismes in the Middle East will help counterbalance the perceived bias by Washington towards Israel.

Arab states have been particularly annoyed by US support for Israel's tough line against the Palestinians in the West Bank and Gaza Strip after a wave of suicide bombings in late February.

Playing to his audience, Mr Chirac warned Israel against reneging on its agreements with the Palestinians. "Commitments already signed must be respected, and the agreed timetable adhered to in peace



Chirac: seeks 'total peace'

talks with the Palestinians," he said. "There will be no durable peace unless the rights and legitimate aspirations of the Palestinians are respected," he

He also called for Israel to restart stalled talks with Syria so that a peace accord can soon he reached on the basis of a "total retreat from the Golan in return for a total peace". The tour was Mr Chirac's

first to the Middle Bast since he took office in May. Last week he made the first official visit to Lebanon by a French president since it won independence from France in 1943. There he urged a withdrawal

of Syria's 40,000 troops in the country after an eventual end to Israeli occupation in the south. He also said French troops would be available to help secure any peace agree-

## Chirac urges Industrial conflict in west at 50-year low

By Robert Taylor, Employment Editor

Industrial conflict in the western industrialised world has fallen to its lowest level for to the latest international statistics on strike activity issued by the Paris-based Organisa-tion for Economic Co-operation and Development and pub-

of education and employment. Only an annual average 122 working days were lost to labour disputes per thousand employees between 1985 and 1994. The strike rate in the five more than 50 years, according years after 1990 was an annual average of 100 working days, compared with 145 working

days for the five years before. The sharpest fall in indus-trial conflict since 1990 was in Denmark (an 85 per cent

decline compared with the 1985-90 period), followed by New Zealand and the UK (79 per cent).

Greece was the most strikeprone country in the OECD. with an annual average of 3,729 working days lost per thousand employees between 1985

It was followed by Spain. which averaged an annual 565 working days lost per thou-

sand, and Canada (326 days). The most industrially peaceful country since 1985 has been Switzerland, which recorded an annual average of only one working day lost per thousand employees. Japan came second, claiming to have an annual average of a mere four working

lost per thousand employees. came in 11th out of the 22 countries on the ORCD strike league table, slightly below the OECD average of 122 working days lost per thousand employees, followed by Austria with five and Germany and the

days lost. However, in 1994 the UK recorded its lowest number of working days lost to industrial conflict since official records began in 1891.

average of 108 working days

time bans. Strikes involving a small number of workers are also excluded by some coun-

The UK, with an annual international statistics on

Labour market trends, April The study points out that the 1996. HMSO 25.45

strikes exclude the secondary

effects on other workers

affected by shortages of materi-

als supplied by establishments

in dispute. It also omits go-

slows, work to rule and over-

## Benefit of tariff reduction 'not fully recognised'

By Guy de Jonquières,

Countries which reduce their import tariffs gain bigger and longer-lasting economic benefits than has been generally recognised, an Australian government study has found.

It suggests that differences in industrialised countries' economic performance since 1970 have been determined more by the speed at which they have cut tariffs than by the vigour with which they have tackled domestic reforms.

The study, by the Economic Planning Advisory Commission, finds that every 1 percentage point fall in industrialised countries' tariffs has, on average, raised their total produc tivity by more than 3 per cent and gross domestic product by 2 per cent. The commission, which is attached to the prime minister's office, says these increases are about 10 tim

previously believed It says the gains were even bigger in countries, such as Finland, which started with exceptionally high tariffs. More than half the margin by which Finland's growth rate exceeded the average for industria-

lised economies in the 1970s and

greater than most economists had

1980s is attributed to the impact of tariff cuts.

The study concludes that Australia's relatively poor economic performance during the same period was due mainly to it being slower than other rich countries to lower

But the study estimates that tariff cuts planned for the rest of this decade will raise Australia's productivity by 25 per cent, boost its gross domestic product by as much as 17 per cent and sharply reduce its current account deficit over the longer

It finds that, in most countries, tar-

iff cuts have only started to affect economic performance ebout four years after they were introduced. However, they continued to yield benefits for ebout 20 years.

The authors say that although the benefits of reducing tariffs can be increased if countries also pursue estic reforms, these explain little of the difference between the productivity performance of industrialised

They find that France obtained some of the largest economic gains from cutting tariffs during this period, while continuing to pursue a dirigiste industrial policy and maintaining large public monopolies in important industries. Many previous analyses have argued that dismantling tariffs encourages higher productivity by

stimulating increased investment. However, the study says there is little evidence that this has happened in industrialised economies. Instead, trade liberalisation has enabled countries to increase output from existing

capital investments. Toriff Reform and Economic Growth; Economic Planning Advisory Commission, PO Box E4, Queen Victo-ria Terruce, Parkes, ACT 2600. Tel: (616) 270 2444 Fax: 270 2442

## Central Asians reach common ground over water

hree ceutral Asian republics announced an agreement at the weekend acknowledging that in a region where rain is a rarity water can be as valuable as

coal or gas.
Mr Zhenishbek Bekbolotov, Kyrgyzstan's minister for water resources, said yesterday that his country had agreed with neighbouring Uzbekistan and Kazakhstan to improve cross-border deliveries of water and energy.

Short on details, the accord calls on Kyrgyzstan to gnarantee supplies of hydroelectricity and sufficient flow of water through the Syr Darya river to the cotton fields of Uzbekistan. and Kazakhstan, in return for unspecified amounts of Uzbek gas and Kazakh coal. "Water is a commodity," Mr

Bekbolotov said. "Any natural resource that is used should be paid for."

. The break-up of the Soviet Union has forced local leaders

An agreement signed at the weekend will improve cross-border deliveries of water and energy, writes Sander Thoenes how to share natural res-

Kyrgyzstan is dependent on its neighbours for gas and coal, but owns a large hydroelectric power station which controls the flow of the Syr Darya, a significant source of irrigation.
"When the Soviet Union existed all this was run by

Kndaibergenov, deputy chairman of the Kazakh Water Committee. "There was a command sys-tem and we all followed orders. Now each state is sovereign and each has its own problems

Moscow," said Mr Koposyn

to deal with." Since 1992 Kyrgyzstan has opted to let water flow through its hydroelectric dams in winter, when it needs to heat its homes. The country stores water in spring and summer, when Uzbekistan and Kazakh-



stan are desperate for water to irrigate their cotton fields. Uzbekistan, in turn, has frequently reduced or cut off sup-

plies of gas to its neighbours because of huge payment arrears. At one point, Kyrgyz-stan siphoned off Uzbek gas en route to Kazakhstan in an attempt to guarantee supplies. Kazakhstan has been worst hit, because what little water it receives from Uzbekistan is polluted by drainage from the cotton fields, which are heavily sprayed. Its capital, Alma Ata, is poorly lit and hit by frequent power shortages.

Excessive use of the Syr Darya and the Amu Darya rivers for irrigation has drastically cut supplies to the Aral

monopolist." Sea, which bas also been beavily polluted with pesticides. However, the new accord makes no mention of increasing the water flow to the Aral. Mr Abdurahim Zhalalov. Uzbekistan's acting minister

commodity is hydroelectric-But Uzbekistan and Kazakhstan would be unlikely to buy

for water resources, denied

water had become a commod-

hydroelectricity in summer if not to ensure water supplies. The new agreement fails to create a pricing mechanism for the various commodities, the main source of conflict in a

the Syr Darya last year, and

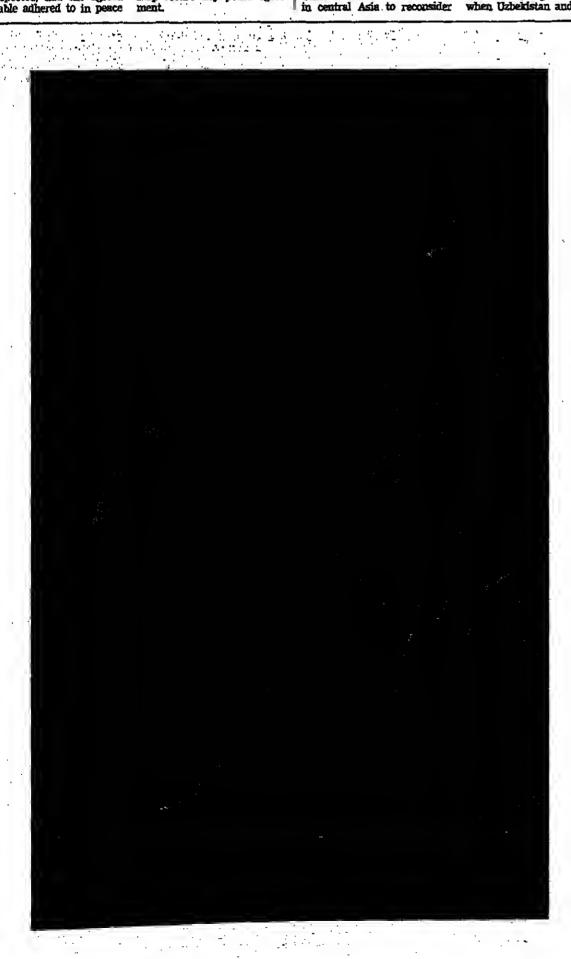
region where such trading is a novel business. Kazakhstan received only 70 per cent of pledged supplies of water from

should not be for sale," said Mr Kudaibergenov, "because who-ever sits upstream will demand as much as he wants, as a

A study into ways to save the Aral Sea, funded by the World Bank and due to be released soon, calls for co-ordinatioo of water and agriculture policy between the three republics but keeps the issue separate from the energy dis-

ity in central Asia. "Nobody is-trading water," he said. "The The three republics have invited neighbouring governments to join in and solve a host of other water and energy

Uzbekistan and Turkmenistan struggle to share the Amu Darya river, Kazakhstan has asked China to stop overusing the Irtysh, which flows through Kazakhstan to Russia; and Moscow recently cut off electricity supplies to northern Kazakhstan to press for payment of \$400m (£263.1m) in energy bills.



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example in southern Africa, ABB was asked to erect 410 kilometers of transmission lines without disturbing an indigenous colony of Cape vultures. The project was executed with minimum disturbance during the breeding season between April and September. It is somewhat surprising therefore that this neighborly respect did not slow down the project.

In fact planning ahead combined with local knowledge and advanced technology meant the Zimbabwean section of the Matimba Bulawayo interconnection was completed ahead of schedule.

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neighborhoods all over the world.



India poll study sees worst result for party since independence

## Record low in Congress vote forecast

in New Delhi

India's governing Coogress party is heading for its lowest share of the popular vote since independence in general elec-tions which start towards the end of this month, according to a nationwide academic study of political attitudes.

The National Election Study, a joint effort by Indian social science institutions collecting data from 9,700 respondents. shows Congress can expect the support of 32.6 per cent of the electorate in the April-May poll. against 36.9 per cent in the 1991 elections.

The survey, the first such enterprise in 25 years, makes no attempt to translate the likely vote into probable parliameotary seats. However, its co-ordinators said a hung parliament appeared certain.
They added that results also

suggested the oational swing against Congress could

"I expect it to be more, up to 7 percentage points," said Mr Yogendra Yaday, the survey's national co-ordinator, a swing which would take Congress to below 30 per ceot of the vote. The survey, conducted after electioo dates were announced but before candidates were decided, found 45 per cent of

respoodents undecided. Congress's previous low of 34.5 per cent came in 1977. when voters rebuffed Mrs Indira Gandhi in the first poll after her autocratic declaration of a national state of emergency in 1976.

Until then the party which has ruled India for all but four years since independence could rely on 40-48 per cent.

The survey found the Hindu nationalist Bharatlya Janata party to be the chief beneficiary of lost Congress support, with its share seen rising to 25

The BJP this week launched its campaign with a strong appeal to "cultural nationalism" based on four central slogans of security, self-reliance, social harmony and prohity in

In an 80-page manifesto, the party welcomed foreign investmeut to gain "world class technology" hut - rejecting "unbri-dled consumerism" - it also said it would not welcome foreign investment into "nondurable consumer items". Foreign investment would be

favoured in sectors which promoted exports and where foreigners took Indian partners. The party promised to deepen domestic deregulation begun four years ago under the Congress government by pruning government and removing the residue of industrial licen-

oo tariffs, it would "ensure that the domestic sector gets a level playing field and does not become uncompetitive". It would also proceed further with divestment of public sector assets while not endangering jobs, and said it would orient tax and fiscal reforms towards augmenting domestic

savings. The manifesto offers some stings in its foreign policy, confirming that the party would "correct" what it said waa a weakening of India's armed forces under the Congress party and "exercise the option to induct nuclear weap-

A BJP government would not agree to the comprehensive test ban treaty, the fissile material control regime or the missile technology control It would accelerate pro-

grammes to develop both medium and longer-range

## Sedition trial clouds Korean election

Seoul court case may affect outcome of Thursday's poll, writes John Burton

or the past month former presi-dents Roh Tae-woo and Cbun Doo-hwan, once the most powerful men in South Korea, have made weekly appearances in the dock of the Seoul district court dressed in powder-

Their trial for sedition has transfixed the nation, while being hailed in the rest of Asia as a rare regional example of political leaders being brought to justice for abuses of power.

But that noble image has been obscured in Seoul as the trial becomes a bitter political issue that could affect the ontcome of the general election on

With his government in danger of los-ing its parliamentary majority, Presi-dent Kim Young-sam is telling voters that the trial of his two military-backed predecessors reflects his strong commitment to democratic reforms and "righting the wrongs of history".

The opposition parties have a more cynical view of the presideot's motives, alleging that Mr Kim has put his two former political allies on trial in a blatant attempt to win votes, while pro-tecting himself against damaging charges concerning illegal political contributions. Mr Chun and Mr Roh are involved in

two sets of trials. They are being tried separately on corruption charges for allegedly accepting a combined total of more than \$1bn in corporate bribes during their successive terms of office from 1980 to 1993. They are also being tried jointly on treason charges for leading a 1979 army coup and suppressing a 1980 pro-democracy protest in which at least 200 demonstrators were killed.

The two main opposition parties, the centre-left National Congress for New Politics and the conservative United Liberal Democrats, suspect that the government scheduled the treason trial right before the election to gain the maximum advantage as voters prepare to go to the polis.

In addition, the trial represents 8 potential threat to both opposition par-

amassed by the two former presidents. In 1990 Mr Kim, a former dissident, joined the ruling party established by Mr Chun and Mr Roh and became its successful presidential candidate in 1992. Mr Kim has repeatedly denied personally receiving any money from his predecessors, although he has not disclosed sources for the 1992 campaign.

The election debate over the trials underscores that the arrest and impris-

'President Kim is seen by some as turning on the political benefactors who helped him get

ties. The NCNP's largest urban stronghold is the south-west city of Kwangju, where the 1980 massacre of protesters occurred. It believes the government is

prove embarrassing since many of its politicians are former supporters of the two ex-presidents.

until May at the earliest. They believe the slow pace of the corruption trials is intentional to prevent any pre-election disclosures of alleged illegal links between Mr Kim's election campaign finances and the huge political slush fund autumn have had strong political over-

tones from the beginning.

After taking office in February 1993,

sons for cantion. Mr Kim controlled a

However, the disclosure last October that Mr Roh had collected \$650m in raised awkward questions about whether he had received some of this money for the 1992 campaign.

The president skilfully used the slush fund scandal to his advantage. Mr Kim enjoyed the widespread support of an angry public to arrest Mr Roh and later Mr Chun. This enabled Mr Kim to conduct a purge in the ruling party of the ex-presidents' supporters, which consolidated his political control.

Their subsequent bighly publicised trial has distracted attention from the allegations concerning the financing of Mr Kim'a 1992 campaign.

In splte of opposition worries that the trial may harm their election chances Mr Kim's strategy could still backfire.

The trial has deepened the regional antagonism that bedevils Korean politics. The south-eastern Taegu region, the political stronghold of the two former presidents, regards the trial as unfair retribution. The formerly progovernment area is likely to elect ULD and independent MPs next month.

Mr Kim's actions have also strengthened a perception of him as a political opportunist, which has contributed to a slump in his popularity.

"The concept of loyalty is important in Korean society. You do not hetray those who have helped you," explained the editor of a leading Korean newspaper. "But President Kim is seen by some as turning oo the political benefactors who helped him get elected in order to save himself."

It has also set a dangerous precedent for Mr Kim if any illegalities are ever

## Manila to prosecute mining executives

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By Edward Luce in Manila

The Philippine government yesterday said it would file criminal charges against at least five executives of a mining company which leaked toxic waste into a river last month, cutting off bundreds of families and causing widespread environmental damage.

The company, Marcopper, which ia 40 per cent owned by Placer Dome of Canada, would alsn be "hlacklisted" from the country's recently liberalised mining sector because it had finnted mining, water and environmental regulations. said Mr Victor Ramos, secretary of state for natural

The copper mill, which had the capacity to process 30,000 tonnes of copper ore a day, released tonnes of liquid "tailings" into the Boac River in central Philippines, harmlag wildlife and causing fears of permanent damage to residents' bealth.

Mr Ramos tnn relatinn nf President Fidel Ramos) did not specify whether Placer Dome would he separately debarred from operations in the Phillppines, but said an expatriate manager at the cnpper mill where the spillage occurred wnuld be prosecuted. Those convicted could face up to six years' imprisonment for each violation.

"I have ordered my mines [Marcopper] application inr exploration or development anywhere in the country," said Mr Ramos. The company, which has been operating m the Philippines for 27 years, would also be liable to unspecified fines for damage to the

environment. The Philippine government, which last year npened up the country's gold- and copperrich mining sector to 100 per cent foreign ownership, has received 69 foreign applicatinns for exploration and development rights in the country, three of which were submitted by Marcopper. It is not clear whether the positical outcry resulting from last month's accident will undermine the remaining 66 applica-

The liheralisation drive. which has been accompanied hy measures to lower mineral export taxes and allow duty-free imports of capital equip-ment, is aimed at quadrupling earnings from mining to about 20 per cent of total Philippine

Gold, copper and nickel exports dropped from 20 to ( per cent of Philippine export earnings in the 1980s because of the collapse of world metal prices and environmental and labour disputes in the mining

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Fighting flags and

elected in order to save himself

using the trial to attract votes in the The ULD worries that the trial could

Meanwhile, the opposition parties have criticised the leisurely schedule of the corruption trials, which began in December and are not expected to end

Mr Kim publicly opposed demands for

an official review of possible abuses by his two immediate predecessors. He explained that investigating the 1979 coup and 1980 Kwangju massacre would harm national reconciliation. There were also good political rea-

minority faction in the ruling party and any attempt to probe the ex-presidents could cause the majority faction of their would result in the government losing its parliamentary majority.

political donations during his 1988-93 term forced Mr Kim's hand because it

## Crime adds to business risks in Vietnam

By Jeremy Grant in Hanoi

Doing business in Vletnam's commercial capital, Ho Chi Minh City, is getting a little riskier, hut not because of more usual reasons such as unwelcome taxes or new layers

Foreign businessmen and Vietnamese police are worried about an alarming increase over the last six months in crime, aimed at foreign and Vietnamese businesses as well

Last year, New World Group of Hong Kong erected watch-towers, a fence and floodlights at the site of a 500-room hotel It was building in the city centre, after theft of construction materials and hotel furniture got out of hand,

In recent months the former director of a police security unit has set up his own own company, Long Hai Body-guard, to combat a surge in cases of factory hreak-ins and

One Ho Chi Minh City-based shoe manufacturer was reported in an official newspaper last week as having signed up for 10 of the company's bodyguards, who are trained in martial arts and the use of firearms, "stun guns and blinding

Retired Maj Gen Phan Van Xoan, who set up Long Hai Bodyguard, said: "We bave a timely way and are prepared to meet it.

Pickpocketing and bag snatching are becoming common in the city, as well as daring swoops by motorcyclists on foreigners wearing jewellery, often carried out in broad daylight in the city's main streets and near large hotels. Highly skilled pickpockets loiter on street corners, masquerading

as chewing gum sellers. "Our company has experienced two attacks where necklaces have been ripped off people's necks. It's happening to Vietnamese just as much as foreigners," said one executive with a US company with offices in Ho Chi Minh City and the capital, Hanoi.

Ho Chi Minh City, known as Saigon before the Vietnam war ended in 1975, has seen a blg rise in foreign visitors and residents aince the early 1990s, after the country officially embraced market-oriented economic reforms 10 years ago.

About 15,000 foreigners live in

the city, whose population is

Foreign residents say crime levels are still well below those in other Asian and western cities. However, the authorities, as keen to promote the city as a tourist destination as much aa a safe place to do business, are struggling to limit a rising crime rate. A year ago, taking a tour of

Ho Chi Minh City in a pedal-

shaws, particularly at night, for fear of mugging. At the US embassy in Hanoi, a notice posted in the consular section mentions reports of cyclo drivers kidnapping passengers and extorting money.

driven cyclo-rickshaw would

have been uneventful save for

wayward motorcyclists. But

some resident foreigners say

they avoid taking cyclo-rick-

"We've been telling people to be more cautious," said one consular official. Last week, the Youth Vanguard newspaper reported that police had arrested leaders of gangs using mobile phones to tions near Saigon Port.

## Chinese Airbus order would threaten Boeing dominance

By Tuny Walker in Beijing

Premier Li Peog of China tomorrow begins a three-day visit to France during which Airbus Industrie hopes he will announce a \$1.2bn order for at least 30 new aircraft and signal an end to Boeing's dominance of the

Chinese market. Mr Li, who is to visit Airbus headquarters at Toulouse later this week, discussed the aircraft purchases in Bangkok last month at the Asia-European summit with President

Jacques Chirac of France and with Chancellor Helmnt Kohl of Ger-

The Chinese official may also indicate Beijing's preference for European involvement, including that of Airbus industrie, in China's plans for a domestically produced 100-

seater passenger aircraft. A large Chinese Airbus purchase will worry Boeing at a tima of fraught Sino-US relations over trade issues, buman rights, Taiwan and arms proliferation.

Boeing has had a \$2hn order for China of some 20-30 aircraft pending since last year, but an announce-ment has been stalled for months, raising suspicions that difficulties between Beijing and Washington are

A Chinese decision to spend more than \$1bn on new Airbus aircraft would also coincide with last-minute lobbying over renewal of China's Most Favoured Nation trading status in the US. Companies such as Boeing are at the forefront of efforts to

persuade the administration and Congress to renew MFN. China's passenger fleet is domi-nated by Boeing with about half the 400 aircraft in service, but Airbus has been making inroads and in the

past five years has secured about 30 per cent of new orders The European aircraft consortium made a breakthrough in February when it signed an agreement with Air China to supply three A340-300s. These will be Air China's first AirBoeing's monopoly. China's flag carrier had been operating an all-Boeing fleet.

Fuelling US concerns about Chinese intentions was the postponement last month of a trip to the US by Ms Wu Yi, China's trade minister, who was to have visited Boeing and McDonnell Douglas. Boeing has been negotiating to sell China 10 777s, five

747-400s, and 15 737s. A Chinese moratorium on new aircraft purchases, which was imposed

**E UNITED STATES** 

about safety and the rapid growth of the domestic airline husiness, is expected to he eased soon. An announcement by Mr Li of Airbus purchases would indicate China is back in the market,

Airhus Industrie forecasts that China will acquire 1,320 aircraft between now and 2014. This would represent 35 per cent of all pur-chases for the Asia-Pacific.

Airbus has a total of 26 aircraft in service in China, including A300-

## bus purchases and signal the end of Japan's central bank listens to whispering from the grass roots

William Dawkins on managers with subtle and ambiguous influence

he Bank of Japan, the world's largest holder of foreign reserves, yesterday broke out the green tea and biscuits for what must be one of the least known - hut for from least interesting events in the international eco-

nomic calendar. The bank's main conference room, in a grandiose 19th century stone building in central Tokyo, a rare survivor of earthquakes and wartime bombs. is host to the quarterly meeting forum at which they report to the BoJ governor on the grass roots health of the world's secood largest economy.

The managers' conference is

one of the many Japanese institutions that, officially. have no power and yet influence decisions that affect the rest of the world economy. At stake at the meeting, which continues today, is the timing of the prospective tightening of Japanese monetary conditions. the prospect of which sent tremors through world financial markets just before Easter. Also on the maoagers' agenda is the growing swell of

opinion, fostered by Mr Yasuo

Matsushita, its governor, that the bank should have more autonomy in setting interest rates. This follows examples set in recent years by central banks in countries from France to New Zealand. Mr Matsushita told his regional colleagues yesterday that even though the economy was recovering from the worst recession in 60 years, he saw

no need to change the official

discount rate, which has been

held at a record low of 0.5 per



Yasno Matsushita: no need for discount rate change

He also calmed some of the market anxiety aroused last week when he said he was unworried by the rise in loog term rates, which are not directly guided by the BoJ. He repeated that a change in the bank's legal status was needed, confirming that the bank is serious in its latest attempt to distance itself from its constitutional master, the finance ministry, whose

responsibilities are being criti-cally reassessed in the light of the banking crisis. But given the BoJ's success in keeping Japanese inflation among the lowest in the industrialised world, even under the influence of the finance ministry, independence is not cent for the past six months. seen by the ruling Liberal

have no direct say on either of these matters. Accordingly, Mr Matsushita's speech, the only part of the meeting to be published, would have been greeted with polite assent.

Dne senior securities industry executive who used to be a BoJ manager recalls how a former branch chief once broke the stiff etiquette usual at these meetings and objected that the central bank had changed the official discount rate before the session, rather than listening to the news from the regions first. The governor of the time told the upstart to keep his mouth

Even so, central bank officials insist that branch managers' views matter, because of what they know and who they are. The quarterly meeting, say officials, is one of the bank's two most valued sources of intelligence on the short-term economic outlook, the other being its own quarterly survey of businesses, the next issue of

which is due in June. And the branch managers who turn up to it are part of Japan's wide flung and diffuse policymaking establishment or candidates for it.

The first person to speak after the governor is, hy tradition, general manager of the Osaka hranch, currently Mr Elichiro Kinoshuta. He was formerly head of the domestic banking division, e suitable background for supervising the region with the majority of Japan's weakest banks. Mr Kinoshnta also watches over a regional economy larger than that of Canada. Next to speak

is his colleague from Nagoya. Both men can expect promo tion to departmental ahead after another internal job when they return to Tokyo after postings lasting up to three years. If all goes well they could end up on the sixman executive committee, which prepares monetary policy for implementation by the policy board, the top decision

The other managers from smaller branches, around 10 of whom will speak, come from a less senior stream and are seen as on test for promotion to the fast track, says a former man-

Boll branches tend to be hreeding grounds for senior officials rather than the very top. This is in part because Bod officials' chances of landing the top joh are limited by the tradition of taking turns with a candidate from the ministry, of which the current incumbent, Mr Matsushita, is an example. Only two bank governors since the war were trained as branch

In short, BoJ branch managers' influence on policy is ambiguous, as is much of the structure of Japanese govern-ment. Much of the real business of the meeting takes place, in Japanese tradition, behind the scenes, over a tray of sushi and glass of beer after official hours in the directors'

But the quarterly meeting is Worth wetching for policy clues to the much gossipedabout change in Japanese monetary stance, late this year or early next, and to the ceutral two years ago because of concerns 600Rs, A-310s and A-320s. INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an overage equit market yield. All figures are percentages.

**E JAPAN** 

	Harrow Money (Att)	Broad Money 942)	Short Interest Rate	Long Interest Rate	Equity Martist Yalid	Ranne Money (\$41)	Broad Money (42-CDs)	Short Interest Rate	Long Internst Rate	Equity Market Yeard	Macrose Money (AT)	Broad Money (Ma)	Short Autorest Rate	Long Interest Plate	Harte Marke Visi
1986	13.5	8.1	6.49	7.67	3,43	6.9	8.2	5.12	5.35	0.84	9.9	7.3	4.64	5.90	1.7
1967	11.8	6.5	6.82	8.39	3.12	· : 10.5	11.5	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.2
1988	4.2	5.4	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54	8.6	6.4	4.34	6.46	2.6
1989	1.0	4.2	8.69	8.50	3.43	4.1	10.6	6.31	5.18	0.48	6.3	5.7	7.12	6.90	22
1980	3.6	5.5	6.08	a.55	3.60		8.5	7.62	a.90	0.65	4.5	4.5	8.49	a 66	2.1
1991 1992	6.0 12.4	3.7 2.0	5.87	. 7.86 7.60	3.21 2.95	- 5.2	20	7.21	6.40	0.75	5.1	5.6	9.25	8.42	2.3
1993	11.8	1,2	3.75 3.22	5.86	2.78	4.5	-0.4	4.28	5.24	1.00	7.1	8.2	9.52	7.80	2.4
1994	8.2	1.4	4.67	7.08	2.86	3.0 5.4	1.4 2.8	2.83 2.12	4.18	0.87	a.4	7.a	7.28	6.47	2.1
1995	-0.3	21	5.03	6.57	. 2.61	8.2	3.2	1,12	4.20 3.39	0.78 0.86	a.6 3.7	0.B 0.O-	5.36 4.53	6.86	1.7
2nd atr.1995	0.2	1.1	e.03	8.60	2.86	6.1	3.3	1.23	3.27	0.93	2.6	-1.1	4.60	8.87	2.0
3rd qtr.1995	-0.6	3.0	5.79	6.32	2.53	8.6	2.8	0.86	3.05	0.86	3.2	-0.7	4.41	8.68	1.9
4th qtr.1995 1st qtr.1996	-1.8	4.0	5.73 5.30	5.89 5.89	2.38 2.21	12.9	3.2	0.43 0.49	2.88 3.18	0.21 0.76	4.9	1.3	4.01	6.32	2.00
April 1995	0.7	0,4	8.12	7.05	2.74	5.8	3.2	1.37	3.52	0.92		40	3.45	6.17	_
May	0.2	0.9	6.06	6.63	2.68	5.9	3.3	1.24	3.35	0.92	2.4 3.7	-1.3	4.68	7.07	2.12
June	-0.1	21	5,94	8.16	2.61	7.0	3.3	1.09	2.96	0.96	2.4	-1.4 -0.7	4.59	6.85	2.10 2.00
July	-0.5	2.4	5.80	a.26	2.55	7.2	2.9	0.80	2.91	0.91	2.8	-1.2	4.53 4.56	6.70	2.0
August	-0.5	3.1	5.82	6.50	2.55	8.6	2.9	0.71	3.25	0.85	3.4	-0.6	4.48	6.79 6.71	1.97
September	-0.9	3.5	5.74	6.1a	2.48	9.9	2.8	0.46	2.97	0.82	3.5	-0.1	4.18	6.56	1.90
October	-1.5	3.7	5.81	6.03	2.46	12.1	2.7	0.41	2.89	0.83	4.0	0.4	4.09	8.55	20
November	-1.7	3.9	5.74	5.93	2.42	13.9	3.4	0.44	2.88	0.83	4.4	1.0	4.01	B.32	2.04
December	-2.1 -2.8	4.3	5.63	5.71	2.24	12.8	3.2	0.42	2.86	0.77	a,3	2.5	3.94	6.07	1.97
January 1996 February	-2.7	4.8 5.0	5.42 5.15	5.84 5.81	2.26 2.17	14.7	3.1	0.45	3.10	0.75	a.2	3.7	3.62	S.90	1.88
March	42.7	5.0	S.31	6.26	2.17 2.18	18.0	2.8	0.50 0.51	3.19 3.12	0.75 0.77	a_7	5.9	3.35	6.18	1.86
_	= FRAN	ICE				E ITAL	Y	_			E UNIT	ED KIR	3.35 IGDON	6.44	1.91
	Marrow Manage (M1)	Aroad Manay (ACS)	Short Internet Rate	Long Interest Plate	Egully Mariat Ylaid	Marrow Menaly (341)	Groud Money (MS)	Short Internal Ratio	Long Interest Rate	Equity Market Yield	Morey	Bread Money (849)	Short Interest Rate	Long Interest Page	Equity Market Year
1995 1987	as	8.4	7.79	8.36	2.65	10.5	8.4	13.25	11.47	1.41	4.0	15.4	11.02	10.21	4.35
1967	4,1 3,9	11.5	8.63	8.46	2.75	10.4	8.6	11.32	10.5B	1.94	4.7	15.2	9.77	2.69	3.60
1989	7.5	8.3 10.0	7,94 9,40	9.08	3.69	7.8	a.5	11.24	10.54	2.71	a.a	17.3	10.41	2.62	4.48
1990	3.8	9.3	10.32	a.79 a.92	2.88 3.12	7.1	9.3	12.42	11.61	2.46	5.9	17.6	13.96	10.11	4.36
1991	-4.9	2.4	9.62	9.03	3.58	9.3 7.3	10.1	11.98	11.87	2.84	5.3	16.1	14.62	11.56	5.07
1992	-0.2	5.4	10.36	8.57	3.55	8.7	8.5 7.7	11.83 13.86	13.20 13.29	3,45	2.4	8.0	11.58	10.08	4.97
1993	1.8	-22	8.55	6.75	3.21	4.6	7.4	10.22	11.23	3.63 2.35	2.4	5.1	9.74	9.09	4.91
1994	2.7	0.8	5.84	7.21	2.99	8.8	5.1	a.48	10.56	1.67	4.8	3.6	5.99	7.40	4.01
1995	a.s	4.8	6.60	7.53	3,17	0.6	0.6	10.38	12.22	1.72	8.4 8.0	4.8 7.1	6.57 6.77	8.01 8.16	3.94 4.15
2nd qtr.1995 3rd qtr.1995	1.3 3.3	3.1	7,47	7.59	3.10	-0.0	-0.4	10.69	12.71	1.78	6.0	6.2	8.78	8.19	
4th qtr.1995	8.8	3.9 4.8	a,12	7.35	3.11	0.0	0.5	10.52	11,79	1.64	5.6	8.2	6.87	8.09	4.21 4.08
1st atr.1996	0.0	4.0	6.14	7.10	3.25	9.9	21	10.60	11.59	1,77	5.5	8.3	8.71	7.77	4,04
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May	1.8	2.4	7.79	7.80	3.11	-0.4	-0.6	10.84	13.44	1.72	6.3	5.5	6.78	8.38	4.27
June	1.3	3.2 3.1	7.48 7.18	7,54 7,45	3.05 3.14	0.5	-0.1	10.41	12.37	1.68	5.8	6.4	8.79	a.13	4.19
July	0.5	3.0	6.44	7.42	3.14	-0.2	-0.1	10.85	12.41	1.96	5.7	6.8	8.73	8.09	4,17
August	1.3	3.0	5.96	7.30	3.08	-0.6 -0.0	-0.4 0.4	10.88	12.23	1.7\$	5.7	a.o	6.89	8.23	4.11
September	3.3	3.9	5.98	7.34	3.19	-0.0	1.5	10.44 10.26	11.67	1.58	<b>a</b> _1	6.4	8.88	8.10	4,07
October	0.0	3.1	2.89	7.47	3.31	0.5	1.5	10.26	11.49	1.61	5.5	8.2	6.83	7.92	4,06
November	22	4.0	5.90	7.06	3.20	0.5	20		11.94	1.76	5.2	8.9	6.81	8.09	4.04
December	8.8	4.8	5.60	6.76	3.23	1.6	2.6	10.60 10.51	11.64	1.81	5.6	9.3	8.73	7.76	4.05
January 1990	5.5	3.8	4.70	e.44	3.08	1.0	2.9	10.51	11.18	1.74	5.7	9.7	6.57	7.46	4,04
February			4,42	8.58	3.11	-1.0	2.4	9.84	10.47	1.66	S.2	10.5	8.45	7.41	4.19
March			4,27	6.64	3.10			9.80	10.54	1.67	6.0	10.1	6.24	7.72	4.06
	rates: show th							9.00	10.71	1.90	5.4		6.14	8.05	4.18

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless seasonably adjusted series except for Japan and Italy. German monetary attributes now form a continuous pan-German series. Monet central bank sources, lotsrest rates short-term, period averages of US = 90-day commercial paper, Japan = 3-month certificates.

3-month Pibor, Italy = 3-month Euro-lira, UK = 3-month Libor; long-term, period average yields on 10-year 3-month continuate operating the period prepared the continuate operating.

dent Bill Clinton last

hillside that day.

and he fought for the com-

merce department. And tell

them you are going to do that

The message was welcomed. Despite Mr Brown's achieve-

ments, or perhaps because of them, the department remains the leading target of Republi-

can budget cutters. Both

houses last year passed bills promising to dismember the department, but these bave

been held et bay by a threat-ened presidential veto. The

House, of Representatives

majority leader, Mr Dick

Armey, has vowed to return to

the attack when Congress returns from its spring break.

By the time the Republicans

took control of Congress last year, Mr Brown had largely succeeded in his aim of making

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## New-look Peruvian | Clinton set to defend Brown's legacy cabinet to greet IMF

An International Monetary Fund delegation due to return to Lima this week will find it is dealing with an extensively overhauled cabinet, a new prime minister and less resistance to free-market reforms and privatisation.

The surprise resignation last week of Mr Dante Cordova, prime minister, gave President Alberto Fujimori the opportunity to give the cabinet a more homogeneous and technocratic

is likely to be appreciated by the IMF mission, which will renew negotiations over a three-year extended fund facil-

ity being sought by Peru. Within 38 hours of Mr Cor-dova's resignation, half of his cabinet had their formal offers to step down accepted. Those replaced generally shared the concerns of Mr Cordova on the social impact of the economic

Four engineers and an economist were sworn in as ministers on Wednesday evening. leaving the education and



Alberto Fujimori: opportunity

m negotiations with Shell and Mobil over development of the returns to his earlier post et the mines and energy ministry. Ms Elsa Carrera, formerly Mr Daniel Hokama, who has head of Mr Fujimori's massive headed the government team school-building programme,

communications portfolio. Both she and Mr Hokama are loyal to the president.

The appointment of Mr Alberto Pandolfi to tha premiership - and the fisheries ministry - was unexpected but

He has been involved in several successful privatisations and has presided over the sensitive process of celling off Petroperu, the state oil producer and refiner. Several key ministers were

ratified in their posts, notably

Mr Jorge Camet as economy and finance minister Mr Francisco Tudela at foreign affairs, and Mr Jaime Yoshiyama in the ministry of the presidency. Peruvian businessmen and foreign analysts have backed the composition of the new cabinet. International investor confidence is crucial at present as Peru is soon to launch an

vatised Telefonica del Peru. With disappointing produc-tion and inflation indicators for the start of the year, and large trade and current eccount deficits, the Peruvian government is keen to present

estimated \$1.4bn offering of

state-owned shares in now-pri-

Commerce department remains leading target of Republican budget cutters The mourning had just begun when US Presi-Among the 35 victims of the air crash in

Croatia was Mr Lee Jackson, a director of the

Wednesday went to the com-European Bank for Reconstruction and merce department to console Development, writes Kevin Done, East Europe employees after the death of Correspondent. Mr Jackson, 37, was appointed Mr Ron Brown, whose aircraft had crashed into a Croatian as the US director of the EBRD by President Clinton in August last year. Mr Jacques de Larosière, EBRD president,

Mr Clinton brought a messaid Mr Jackson's death was "a terrible loss" sage from Mrs Alma Brown, for the bank and e great personal loss. "He was the commerce eecretary's widow. "Tell them Ron was respected and admired for his unwavering commitment to the goals of the bank and his proud of them, that he liked them, that he believed in them

warm engaging personality."

Mr Jackson had joined the EBRD as US alternate director in September 1993 after a five-year period as treasurer of the city of Boston, Massachusetts. At the EBRD he

bouse" in Washington. The secretary brought in talented blacks, Latinos and Asians and used them to promote trade ties in the countries of their

Mr Brown was the first sec-retary to make sense of commerce's many and varied agencies - ranging from the census bureeu to the technology administration and the weather bureau. He laid out the department's missions very simply. It was to promote exports, new technologies, the information superhighway and economic davelopment for troubled regions of the US.

"I believe we will look back bureaucrats, ridiculed under at this time, and Ron will be previous administrations, grew

The increase is expected to be approved at the EBRD's annual meeting in Bulgaria later this

Mr Jackson had been a chief advocate of greater openness et the EBRD and was playing a leading role in plans for promoting public

emerged quickly as one of the leading forces in

the board and played a key role in negotiations with the US administration over the bank's

recent plans to double its capital base to

access to EBRD project information.

In the US, he had specialised in public and numicipal finance in a succession of posts at Kidder Peabody, Salomon Brothers end the First Boston Corporation, where he was a vice-president.

seen as someone who defined the mission in a way that made accustomed to Mr Brown drop-ping by for a chat and drinking coffee in the staff cafeteria. In sense in this economy," said Ms Marge Searing, deputy assistant secretary for Japan. the past few days these work-ers have wandered from office Mr Brown did much to boost to office consoling each other.

Ms Anna Alonzo, a deputy assistant secretary, went ahead employee morale, said Ms Searing who has served under seven administrations. One of with a meeting on Friday his early acts was to reopen for all employees the "secretary's 40 US companies and a Russian delegation shopping for envi-ronmental technologies. "The entrance", more convenient than other entrances to the pro-activity, the dynamism is Ron Brown's legacy," she said. "He was so clear in his mission building in Washington but which was closed by one of his predecessors to all but high-level officials and distinthet we didn't have to be told guished visitors. what he would have wanted to The department's career

No one has yet publicly

have done."

about the succession, but two possible candidates to replace Mr Brown, perhaps temporarily, are at hand; Mr Stuart Eizenstat, e former EU ambassador, who was sworn in as under secretary last week, and Mr Thomas "Mack" McLarty, the president's boyhood friend and White House adviser.

"Time will be needed for those involved to catch their breath and think about filling the leadership vacuum." said Mr Joseph Grandmaison, director of the US trade and devel-opment agency. "The job is dif-ferant now because of Ron Brown. He took what was an irrelevant agency and made It

a key player."

Mr Clinton seems particularly shaken by the loss of his commerce secretary, whose political counsel he sought as much as his policy advice. At a ceremony on Saturday, when the bodies of the victims in the Croetian crash were brought back to the US, Mr Clinton spoke of his resolve "to continue their mission of peace and healing and progress" in Bosnia. But be will olso need time to find a replacement to fill the very large shoes of his

**Nancy Dunne** 

## **Quebec secession** threat is 'fading'

The referendum on independence for Quebec last October might be the last and the threat of secession is fading as its economic costs become clearer, according to Mr Paul Martin, Canadian finance minister.

In an interview, Mr Martin affect their own financial crediwelcomed the fact that Quebec's new leadership had chosen to make the economy.

rather than the constitutional question, its first priority. There appears to be a growing recognition in the province that you cannot just keep hav-ing referendums indefinitely funtil you get the result you wantl. One can conceive that

s gone."

L'would be very surprised if we saw an early election."

premature to say today that the political debate is on ice". It was clear to Quebeckers that calls for eccession had deterred investment and involved other economic costs, Mr Martin said. But he noted that even the separatists had share of Canada's debt obliga-tions, knowing this would

Mr Martin argued that an early election in Canada was unlikely, even though the Liberal government was popular and the opposition parties were divided. He said he was surprised by the reaction of political commentators to his fiscal package in February: "People called it antelection hadgets

INTERNATIONAL NEWS DIGEST

## HK group wins Shanghai deal

Shui On, e Hong Kong property and construction group, resterday announced it had signed an agreement to develop e HK\$5bn (\$650m) housing estate in Shanghai. The project, to be known as Rainbow City, is expected to provide housing for 80,000 Shanghal residents. It will be completed in phases over the next 10 years and will also include commercial and recreational facilities.

The site will be developed through a joint venture between Shui On and the Zhong Hong Group, a company controlled by the Hong Kou district of Shanghai where the housing estate will be built. Mr Xue Quan-rong, head of the Hong Kou district government, said redevelopment of the older areas of the city was an urgent task and was necessary to improve living standards. Housing demand in Shanghai has increased rapidly

as e result of strong economic expansion. For Shui On, the project is the latest in a series in Shanghal. Since 1985 it has built the City Hotel, the Jin Ming Mansion and is working on the Shui On Plaza. It also has developments in Beijing, Wuxi, and Guangzhou.

John Ridding, Hong Kong

#### Sri Lanka extends emergency

A state of emergency was imposed throughout Sri Lanka yesterday, in e surprise move described by the opposition as an attempt to scuttle local council elections billed as a crucial mid-term test for the government

President Chandrika Kumaratunga, extending the emergency which was earlier restricted to the north-eastern region and a few towns considered vulnerable to attacks by the separatist Tamil Tiger guerrillas, said the proclamation was "for the preservation of public order and maintenance of supplies and services essential to the life of the community".

The move stunned even some governing party politicians and came amid efforts to restore foreign investor confidence shattered by the January bombing of the caniral bank in which 91 people died and 1,400 were wounded. Mr Ranil Wickremesinghe, opposition leader, said the action was aimed at gaining political advantage rather than due to security

## Fighting flares in Liberia

The US was yesterday considering evacuating American and other foreign nationals from Liberia, where the capital Monrovia has been rocked by some of the worst fighting seen between rival militias in four years.

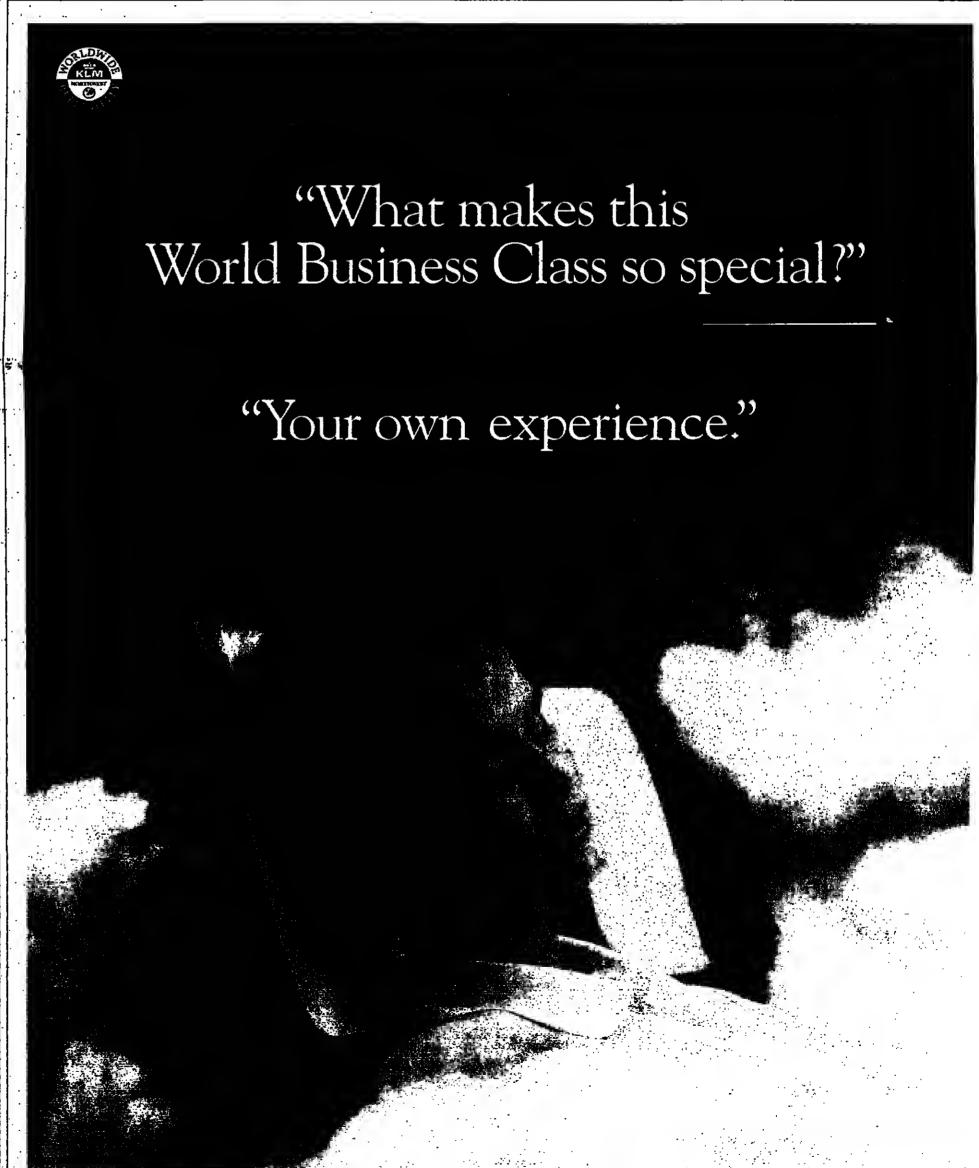
Diplomats said a US military team was heading from Europe to neighbouring Sierra Leone and would fly in by helicopter to assess the situation in the West African coastal city, still echoing with the sound of eutomatic rifls fire and grenade

The Easter weekend fighting, the worst since 1992, has sent explosions. thousands of Liberians flesing Monrovia, while others have sought refuge in embassies. Up to 10,000 Liberians were said to be sheltering in a US embassy annexe.

The clashes started on Saturday when police and militiamen loyal to Mr Charles Taylor, a former rebel leader now in government, attacked the home of a rival faction head wanted for murder. Mr Roosevelt Johnson, recently ousted from his job as rural development minister, refused to surrender. He and his supporters then fled to a former army barracks and the conflict escalated as they were joined by members of

another faction.

The fighting deals a body blow to the credibility of Liberia's ruling council of state, set up in August after years of regionally brokered peace negotiations and abandoned Michela Wrong, Natrobi and agencia



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World Business

## Minister appeals to Japan on imports

By William Dawkins in Tokyo and George Parker at Westminster

Mr lan Lang, UK trade and industry secretary, yesterday urged Japan to deregulate its import markets as he left London with more than 100 senior executlves on Britain's largest trade mission

The mission marks heightened UK pursuit of a Japanese domestic market which is showing an increased appetite for imports in the wake of five years of recession and a strong currency.

Mr Lang, the fourth UK minister to

visit Japan this year, will tour Tokyo and the industrial centres of Nagoya, Osaka and Kobe for four days until ests will be pursued by Mr Jeremy Hansible for Asia, who will arrive tomor-

The delegation with the British ministers represents sectors including telecommunications, power generation, financial services, electronics, healthcare and garden equipment. Among the companies present are British Telecommunications, British Nuclear Fuels, Guinness and Kleinwort Benson.

Mr Lang will address a seminar on Britain's experience of economic deregulation at the Keidanren economic federation. He will also take part in trade promotions and meet senior Japanese ministers and husiness executives.

Mr Lang said in London that a priority of his mission would be

ley, the Foreign Office minister respon- improved access to the Japanese telecommunications market, where the Japaneae government last month promised to ease restrictions in 1997 on the connection of international leased

> lines to local networks. "I am keen to get more access into the Japanese market, to see more deregulation in Japan," Mr Lang told BBC Radio. "You don't break into a market like Japan overnight. It does need a blt of patience and persistence."

British companies accounted for 4.5 per cent of investment in Japan, which was more than most other European nations, Mr Lang added. Britain exported more to Japan than France and Italy. Britain bas improved its share of Japan's domestic market in the past year, and has followed the European Union's policy of avoiding the threats of trade sanctions used by US trade negotiators.

UK exports to Japan rose by 26.1 per cent to £3.77bo (\$5.73bn) in 1995, outstripping Japan's average import growth rate of 22.8 per cent in the year. Britain's imports from Japan grew more slowly, by 9.4 per cent to £9.73bn, leaving a £5.96bo UK trade deficit with

investment in the UK, which attracts envy elsewhere in the European Union for having the single largest share of Japanese plants in the region, will also be on Mr Lang's agenda. The 232 Japanese manufacturing plants now based in the UK represent 40 per cent of

#### Kawasaki hails purchasing **success**

By Michael Cassell,

One of Japan's largest engineering and consumer products groups says its campaign to buy more British component and material supplies has been an "outstanding

Kawasaki Heavy Industries teamed up with British minis-ters last July to launch a highprofile initiative aimed at extending the company's UK procurement programme. Kawasaki said at the time that it spent about £40m (\$61m) a year in the UK, but wanted to raise the proportion of compo-nents and materials purchased in Britain for use in a range of manufacturing activities in

Japan. Mr Suemaiso Kondo, managing director of Kawasakl Heavy Industries (UK), claimed during the weekend that the expanded purchasing programme had fulfilled the company's expectationa despite early concerns that it might prove too ambitious.

He said the value of pur-chases in the UK had already risen by about 20 per cent since the launch. He expected an even higher rate of increase during the remainder of 1996, a performance which should lift Kawasaki's annual procurement bill in the UK to almost £60m.

"We have been particularly successful in securing supplies in sectors such as marine equipment, rolling stock and aerospace," Mr Kondo added. "We insist on high quality. competitive prices and good delivery performance and we are getting them from UK sup-

When Kawasaki announced its purchasing drive, Mr Ian Lang, UK trade and industry secretary, expressed bopes that Kawasaki's UK purchases might double to £80m in the following 12 months. The Department of Trade and Industry said this weekend, however, that the figure represented "an aim rather than a set target" and that the puring in the right direction".

**BBC** terminates

Arabic contract

BBC Worldwide said it was terminating a 10-year agreement worth about £100m (\$152m) to broadcast eight hours a day of television news and current affairs in Arabic to the Middle East. Its satellite service, BBC Arabic Television, was provided under contract to Orbit Communications, a Rome-based company owned by the Mawarid Group of Saudi Arabia.

The issue that has prompted the BBC to begin termination negotiations was the interruption of the service in January when reports were being hroadcast on the case of Dr Mohammed al-Massari, the Saudi opposition figure who has been fighting deportation from the UK. Last Thursday, BBC Arabic Television broadcast to the Middle East a Panorama programme showing secretly shot film of executions in Saudi Arabia of people found guilty of adultery. As a result of the termination, about 250 jobs, most of them involving Arabic-speaking journalists, are threatened at BBC Television Centre Raymond Snoddy. Consumer Industries Stoff

Latin America drugs curb urged

Mr Malcolm Rifkind, foreign secretary, began an eight-day visit to Latin America and the Caribbean to press for new measures to tackle the drugs trade. "What we have been finding is that when routes are cut off, new routes spring up around Latin America," said a Foreign Office official, "That is why we have widening dialogue with countries that are not producers but are transit countries." Mr Rifkind will visit Barbados, Jamaica, Mexico, Brazil and Bolivia.

Teachers' union leader defeated

George Parker, Westminster

Leftwing delegates at the National Union of Teachers defeated a bold attempt by its executive to weaken the power of the union's conference. The executive had proposed putting all measures adopted by the conference to a ballot by the whole membership. The vote came as the union, the biggest teachers' union in Britain, committed itself to balloting members on industrial action in support of any teachers "victimised" by inspections from Ofsted, the schools inspectorate, which will from next term have the power to name individual poor

The vote against curbing the power of the conference is a serious setback to attempts to curb the excesses of the NUTa national conference, which has repeatedly in recent years renerated embarrassing press coverage with calls for indusrial action on a range of issues, and demonstrations by extreme leftwing fringe groups. Mr Doug McAvoy, the union'a general secretary, said it was a "sad day" for the union, but John Authors, Cardiff refused to resign. Editorial comment, Page 17

Bank unlocked: A woman customer of Barclays Bank was surprised on Friday to find a branch of the bank in Muswell Hill, north London, open even though all banks traditionally close on Good Friday. She entered the unlocked building where the alarm system had not been switched on, and called the police, "We are very concerned that a branch has been left open," said Barclays after establishing that nothing had been stolen before the woman arrived.

Rocket theft: Royal Navy rockets and a horsebox were among Items worth almost £5m (\$7.6m) stolen from government departments in the past five years, according to figures com-piled by the opposition Labour party. The cost of theft to the taxpayer has risen from £416,000 in 1992 to almost £2m last year, a series of parliamentary answers revealed.

rendez-vous for around 7.000 exhibitors from 60 different

## Offer to Names soon to increase by at least \$300m

By Ralph Atkins. Insurance Correspondent

Lloyds of London is set to increase to more than £3bn the proposed out-of-court offer to Names which forms part of the insurance market's ambitious recovery plan due for implementation this summer.

The increase of at least £200m (\$304m) from the current £2.8hn will fall short of expectations of many Names. individuals whose assets have traditionally supported

LLOYD'S OF LONDON Lloyd's. But Lloyd's hopes any disappointment will be offset hy revisions to the costing of the establishment of Equitas, a reinsurance company which will take over heavy US asbestos and pollution-related liabili-

Provisional figures agreed with the UK government suggest that the cost to Names of drawing a line under their affairs at Lloyd's by shifting liabilities into Equitas will be lower than expected. The outof-court offer, as well as ending litigation for damages, is meant to soften the cost of Equitas.

Still to be decided is whether to include auditors involved in litigation at Lloyd's in the offer. Auditors are understood to have offered about £100m, a figure considered derisory hy many Names. If auditors are excluded, Lloyd's may be able to find similar funds from

other sources. Namea could

then continue pursuing audi-

tors in court. The ruling council of Lloyd's will meet tomorrow to discuss revisions to the recovery plan. launched a year ago. But further meetings may be required before a revised offer is launched. Names were given first indication of their Equitas bills and settlement offer allocations last month. Final statements are due to be dispatched

at the end of May. Excluding auditors could have knock-on effects, prompting the agents which run Lloyd's syndicates to lower their proposed contributions because of fears they might he joined by auditors in outstanding court actions. Names are already dissatisfied at the pronosed £200m contribution from agents and are threatening to call a divisive extraordinary general meeting if the total is not increased. Insurance brokers are close, however, to agreeing a £100m contribution.

## US chemicals group aims to double sales by 2000

and Jenny Luesby in London

Huntsman, the privately-owned US chemical company, plans to invest up to \$300m in the UK as part of a \$1.5hn worldwide investment pro-gramme intended to double its output hy the end of the decade. Roughly half the UK investment will be spent on Huntsman's biggest British plant - at Carrington in northern England - which makes polystyrene.

Huntsman plans to add 150,000 tonnes a year of capacity to the plant's existing 135,000 tonnes a year. The production of plastics is not labour-intensive, but the expansion will create 30 permanent johs. The company intends to double its global output of polystyrene to 1.17m tonnes by the end of 1998. Huntsman is the second-

largest producer of the plastic

in the US. The planned expansion could make it the largest producer in the world, though its main competitors, Dow. BASF and Elf Atochem, are also pursuing expansion plans, Mr Jon Huntsman, chairman and majority owner, said the company aimed to double its sales over the next five years from \$4.3bn last year. Hunts-man has expanded strongly in recent years through acquisitions of other chemical compa-

nies. However, the recovery in



Jon Huntsman: many potential acquisition targets too expensive

the chemicals industry last year had made many potential acquisition targets too expensive, Mr Huntsman said. He did not rule out more

acquisitions, but said most of the company's growth in the next few years would come from increasing output at existing plants. The company was also keen

to boost its European presence. Europe accounted for less than 15 per cent of sales last year, but would receive more than a quarter of the new investment, he said. A "disproportionate amount" of this would be in the UK, Mr

Huntsman added. Three of the

company's six European plants

were in the UK, where they

formed a base for the whole of Europe - with the majority of Carrington's polystyrene output sold outside the UK. The company also has a packaging plant in Skelmersdale, north-west England, and

a speciality chemicals plant in Llanelli in south Wales. The expansion plans come amid fears that the polystyrene market is becoming oversupplied. Mr Huntsman acknowledged that the market

was "heading for a crunch". He said: "As a private com-pany, we do not need to monitor our performance quarter by quarter. This is an investment for the long term, and we believe the long-term outlook for polystyrene is excellent."



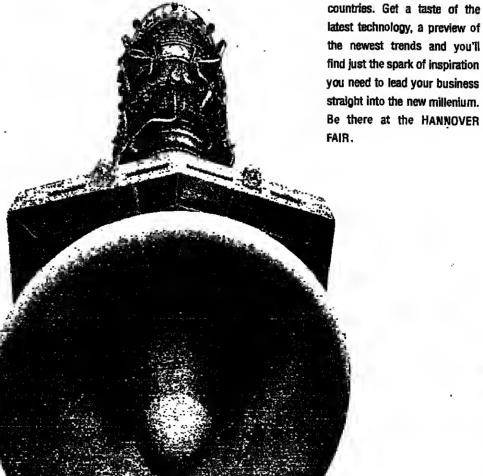
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#### **UK COMPANIES**

TODAY COMPANY MEETINGS: Fairway, 35, New Broad Lloyds Abbey Life, Royal Horticultural Halls, Greycoat Street, S.W., 12.00 Pendragon, Derbyshire County Cricket Club, Nottingham Road, Derby, 10.30

BOARD MEETINGS: **Dewhirst** Henderson American Cap & Inc Tst Torday & Carliste

TOMORROW COMPANY MEETINGS: Lazard Smaller Equities Inv

i drags carb and

on leader defeatel

Tst, 21, Moorfields, E.C., 2.45 Rank Org. Queen Elizabeth !! Conference Centre, Broad Sanctuary, W.C., 11.30 BOARD MEETINGS: Finals: Alpha Airports Charnos Intermediate Capital

Moss Bros Reeçe Ruberoid Sentry Farming **Yule Catto** Murray VCT

THURSDAY APRIL 11 COMPANY MEETINGS: British Petroleum, Barbican Centre, Barbican, E.C., 11.00 Lloyds TSB, Edinburgh inti Conference centre, Edinburgh, 10.30

Mersey Docks & Harbour, Maritime Centre, Royal Seaforth Dock, Liverpool,

BOARD MEETINGS: . Finals: Eadie Nurdin & Peacock Rathbone Bros Swallowfield Cradley Grp Prestwick

Toye

FRIDAY APRIL 12 . COMPANY MEETING: St. Modwen Properties Ironmongers Hali, Barbican,

Distriction of the programment o

**BOARD MEETINGS:** Finals: Abbot Tracker Network

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the

#### **DIVIDEND & INTEREST PAYMENTS**

YESTERDAY Barbour index 3p Валт (AG) 8.2p Browning-Ferris \$0.17 Burlington 0.7p Cassidy Bros 0.75p Finelist 1.9p Flogas iR25o Gibbs Mew 4p Hawtin 1p Jones Stroud 4p Kleinwort Charter Inv Tst 4p London Fin & inv 0.7o McMullen 61/2% Cm Pf 3.25p Do 101/2% Cm Pf 5.25p Mid Wynd Int Inv Tst 2.75p Photobition 2.6p River & Mercantile Tst 2.73p Shani 4.5p Westminster Health Care 2.35p

Widney 2.5p Yorkshire Chemicals 5.85p TODAY Abbey National Treasury Services 9% Gtd Bd 2004 L450000.0 Acatos & Hutcheson 5.5p Adscene 3.5p Aoi Advertising FRN 1998 \$3222,71 Ashtead 0,65p BAT Cap 6% Gtd Nts 1998 \$60.0 BP America 101/2% Gtd Nts 1998 C\$105.0 Bradstock 4.1p British Assets Tst 1.13875p Brunner inv Tst 3.2p Bullough 4.3p Burford 1.1p Carlton Comms 14.3p Cavaghan & Gray 1.5p Chemical Banking Snr FRN 2000 \$147.08 Chrysalis 2.75p DCS 0.5p DKB Fxd/FRN Jul 2004

\$16113.98 Electronic Data Processing 1.483p Eurodis Electron 1.85p Grand Metrolpolitan 9.4p HSBC 9%% Sb 8d 2016 2987.50 Hanson 3p Hill & Smith 4.1p Honeysuckle 0.5p **AF 0.25**p Irish Permanent FRN 1998 £172.50 Kobe Steel FRN 1998 Y18879.0 Koito Mfg 61/2% Bd 1999 Y650000.0 £96.25

Lloyds Bank 9%% Sb Bd 2023 Lonrho 1.25p MBE Fin Gtd Dual Basis Bd 2004 \$32154.14 Marshalls 1.5p Matthew Clark 9p Menvier-Swain 1.85p Microgen 5.2p Nippon Credit Bank Gtd Fxd/ FRN Oct 2004 \$3326.04 Norsk Hydro 61/4 Bd 1997 \$412.50 PWS 0.25p Peel 2p Photo-Me Int 1.5p Porvair 3.7p Prospect inds 0.025p Rank Org 8%% Bd 2000. £837,50 Ryland 1,17p

Syndicate Cap Tst 1p Saville Gordon (J) IN THURSDAY APRIL 11 Southern Water 9.8p South West Water 9.8p Gtd FRN 2003 \$29.45 State Elec Comm of Victoria 11% Gtd Nts 2002 A\$110.0 Svensk Exportitredit 63/9% Nts 1996 \$418.75 Sweden (Kingdom of) 6% Bd Budgens 0.35p Collateralised Mtg Sec (No 11)

A\$117,50

Stoves 1.7p

Takashimaya FRN Jan 1998 Y21402.0 UK Rents (No 1) 9.1% Bd 2025 £91.0 Unilever Australia 12% Gtd Bd 1998 A\$120.0 Warnford Inva 2.750

Wessex Water 50 **■ TOMORROW** Alexanders 0.3p Do A Rest/Vtg 0.3p Bank of Melbourne FRN 1997 \$15.67 Boustead 0.35p

Brooke Tool Eng 0.2p Colefax & Fowler 0.75p Domino Printing 6.4p Dudley Jenkins 1.155p First Leisure 5.39p GGT 21p Henlys 6p Leo 1 Class B Mtg Bckd FRN 2035 £2167.01 Leo 2 Class B Mtg Bckd FRN 2032 £207.37 Lex Service 9p Lothbury Fdg No 1 Class A1 Mtg Bckd FRN 2031 £991.50 Do Class A2 £1731.11 Do Class B £1930,02 Mitsui Fxd/FRN 1996 Y10664.0 Morris (Philip) \$1.0 NFC 2.6p Newport Borough Council 6%% Ln 2019 £4.4375 Siebe 4.44p Sperati (CA) 25p State Bank of New South Wales 11%% Nts 1996

Abbey National First Cap Sb Asian Dev Bank 11% Bd 2001 British Sky Broadcasting 2.5p

Class B Mtg Bckd FRN 2028 £206.68 Conversion 10% 2002 £5.0 DKB Fxd/FRN Apr 2005 \$32370.51 Flying Flowers 2.7p
Heavitree Brewery 3.75p
Do A Lim/Mg 3.75p
Islington 12.65% Rd 2007

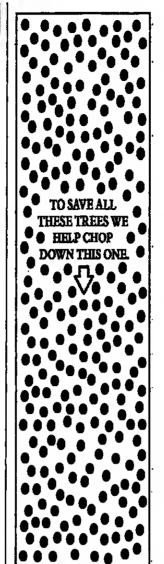
Manganese Bronze 2.5p Pendragon 6p Philips Elec FL1.60

FRIDAY APRIL 12 AIM 1.50 Alumasc 2.45p Amstrad 1.25p Argentaria Cap Fdg Class A 9% Non-Cm DM Euro Pf BWD Sec 3.3p Centex \$0.05 Conti Assets Tst 3p Courts 2.1p Enterprise Oli 11%% Un Ln 2018 25.8125 Eurotherm 4.5p First Choice Holidays 2.45p Gardiner 0.58p Jacques Vert 2.25p Jos Hidgs 3.33p Lazard Smaller Equities Inv Tst

0.250 M-R Grp 1,2p River Plate & Gen Inv Tst 2p Singapore Para Rubber Estates 3p Stakis 1p Tomkins 2.7p Treatt 3.8p Trust of Property Shares 1.7403p Wholesale Fittings 3.5p

M SATURDAY APRIL 13 Comwell Parker 0.3p Do A N/Vtg 0.3p Treasury 9% Ln 2008 £4.50 M SUNDAY APRIL 14 Australia (Commonwealth of) 91/2% Ln 2012 £237.50

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The Financial Times plans to publish a Survey on Jersey, C.I.

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This survey will be an overview of Jersey, providing a comprehensive analysis of the economic and political situation, together with in-depth comment on key areas such as manufacturing, off-shore business and tourism.

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#### **CONTRACTS & TENDERS**



MARICE FOR STANDARDS

#### CONTRACTING AGENT TO ACT ON BEHALF OF THE OFFICE FOR

STANDARDS IN EDUCATION (OFSTED) From September 1996, nursery education settings\* registered to offer voucher-funded education places will be inspected by the Office for Standards in Education (OFSTED).

OFSTED is planning to appoint a contracting agent to arrange for the inspection of approximately 16,000 mursery education settings within England by giving advance notice of inspection to the settings and by securing inspection contractors to carry out the inspections. The contracting agent may also have a role to the payment for inspection contracts and will ed to provide management information and reports on a regular and ad hoc basis to OPSTED and other interested parties. Detailed records will

The contract will run for two years with services commencing at various times; completion will be to tight timescales. Criteria for the award of this contract will include quality control procedures; proposals to manage all the services effectively to the required timescale; demonstration that the specification has been understood; quality and numbers of personnel oposed; track record; financial standing and value for money.

To qualify for covitation to tender, applicants will be asked to complet return a business questionnaire by 29 April, 1996. The suitability of applicants to tender will be assessed on information from the completed stionnaire. Applicants not bovited to render will be notified.

To obtain a business questionnaire, please write or fax, giving your molete postal address, not later than 16 April, 1996, to Adam Godwin Floor I, Nursery Education Project Management Team, The Office for Standards in Education, Alexandra House, 29-33 Kingsway, London WC2B 6SE, Tel: 0171 421 6569 Fax: 0171 421 6708

Between 6 and 12 potential contractors will be invited to tender after ation of the completed questionnaires. The contract will be awarded before the end of June 1996.

Settings' refer to nursery educational provision for four-year-olds in a variety of schools, nurseries and playgroups. These include state nursery schools; state nursery, reception and inlant classes; local authority day nurseries; and voluntary schools, nurseries, playproups and pre-echools

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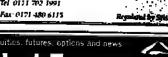
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#### THIS WEEK

The curtain of isolationism, myth and antagonistic propa-ganda that obscures the Mormon church was drawn open an inch or two at the weekend. Revealed was the outline of a mammoth project to build a "dedicated house of worship" in Salt Lake City, Utah, with seats for more than 20,000 - and the glimmerings of a grander design to elevate Mormonism into the religious mainstream.

The construction will dwarf the 6,000-capacity, 129-year-old Mormon Tabernacle across the road in Salt Lake City. It will also seal the grip of the Church of Jesus Christ of Latter-day Saints on the architecture and tenor of life in the beart of the Utahn capital, where religious buildings and the likes of Zions Bank and the old Hotel Utah, freshly restored for church officials' use in a dazzie of gold leaf and costly masonry, already dominate. The new huilding will be a showpiece gathering place for those of

#### The saints go marching on - and on who, although there is no spiritual imperative - and despite the best

efforts of the leadership to fuel their faith via satellite and cahle - regularly flood the city on pilgrimage.

For every member inside the Tabernacle at the weekend there were at least another four outside, juggling uncountable infants, singing, chatting and then silent as they craned to catch the relayed words of the elderly men who carry God's

The occasion was the Mormon's 166th World General Conference, a twice-a-year ceremonial at which the likes of Gordon Hinckley, president and chief prophet, revelator and seer, and his cohorts of apostles, elders and hishops, sbore up the defences of the "only true church against creeping temptathe church's 9m-plus adherents tions of caffeine, tobacco, alcohol,

#### DATELINE

Salt Lake City: a new mammoth tabernacle will serve as a showpiece gathering place for millions of Mormon pilgrims, writes **Christopher Parkes** 

adult films, free sex and Sunday "Brothers and sisters, let's not shop on Sunday," urged Elder Earl Tingey. "It is best to stay on the Boyd Packer in a homily on the

Detectable all the while through this catechism of folksy, immaculate conservatism was the steel which pinions the church's faith and followers alike. James Faust. deputy to the 85-year-old Hinckley. warned coldly against dissent and free-thinkers. There was only one worldly channel for divine revela-tion and authority: the president.

Stick with the brethren," he demanded, quoting a warning to would-be trouble-makers from a recanting rebel elder in the church's earliest days: "Prepare your backs for a good whipping...hut if yoo take my advice, you will stand by the authorities." Such is tha staple fare of the

safe side of things," added President
Boyd Packer in a homily on the
omnipresence of "unseen spiritual and all modernising tendencies seen in other Christian sects. But the world is pressing in on the Mormon havens on the flanks of the Wasatch mountains. Utah's economy is hooming. The state's population grew 40,000 last year alone, thanks partly to an influx of LDS members driven "home" hy recession. In turn, the winter Olympics in 2002 will bring thousands of visitors and three new international-scale hotels

to Salt Lake City. Although church and state are nominally separate, the mark of the LDS is all-pervasive. Dominance is not a word officially favoured, but the sum of the church's influence is a state with the healthiest, longest lived, hardest working and most fertile population in the US.

Abroad, the multilingual skills and ceaseless global roamings of Murmon missionaries (50,000 are active daily) are credited with contributing to economic success hy creating networks which foster export trade when the young doorstep preachers return home and go into business.

However, as the church has lately realised, globallsing religion, as with husiness, is not a one-way street. Along with the benefits come alien value systems, drugs, rising crime and Sunday shopping. Salt Lake City, where roughly half the population is "gentile", as non-Mor-mons are known, is already known as Salt Angeles. The church sees a challenge and an opportunity in absorbing these shocks, and, in keeping with its beritage as a perse-cuted society tempered hy adver-

sity, turning them to its advantage.

The new meeting hall may serve as a potent symbol of the Mormon leadership's amhltions to sweep aside the tangle of obscurity and introspection which is hampering its efforts to garner souls in the latter days of the material world. The evolution of Salt Lake City into "a Mecca, or rather a Rome" for Mormons, as one local academic pnts it, could play a key role in the church's plans for wider influence. Already using internal and external public relations efforts to establish its claim as a "mainstream" reli-gion, its missionary zeal has been refreshed by independent conservative forecasts, based on its present membership and a baptism rate of 250,000 a year, that there could be 250m latter-day saints in the world by the middle of the next century. In the past we had a tendency to circle the wagons whenever we were approached," says one official spokesman. All of that may be about to change.

#### PEOPLE

## Maor rises above the macho

Julian Ozanne meets the self-effacing chief executive of Israel's Bank Leumi

alia Maor seems disarmingly unimpressed with her own achievements. As chief executive of Bank Leumi, Israel's second largest commercial hank she recently joined an elite cluh of the most powerful husinesswomen in

Together with ber husband, who is president of IBM Israel, Maor is an equal partner in one of Israel's most dynamic marriages. And, in the macho world of Israeli husiness, her rise to bead one of the country's most powerful companies has triumpbed over very long odds.

Yet in her modest Tel Aviv office, in the heart of Israel's financial district, the 52-year-old Maor downplays her stellar achievements in Israel's male-dominated banking

"It's always strange to be a woman surrounded by a sea of men," she said. She was dressed in a conservative dark blue business suit and sipped a diet cola. "But I can bonestly say that I bave enjoyed every opportunity, and throughout my career I never faced major male antagonism. I don't think I was ever promoted because

 or in spite - of being a woman." Maor is the ultimate gamekeeper turned poacher, having spent the bulk of her career as a central banker before moving into commercial banking. Her commitment to her profession is absolute, her curriculum vitae emphasising her total immersion in banking and listing her work on numerous committees studying the financial sector, as well as her article published on banking and banking supervision in

Banking Quarterly Review. The only exception to her devotion to banking appears to be her membership of the boards of governors of three universities. And, although she is widely seen as a role model, Maor says she refuses to play any part in women's groups. "l never speak on women's issues. If one is going to be successful and do a good job, one must devote all

one's time to it," she says. Throughout her 33-year career, her only concessions to the world outside banking appear to have been to ber busband and three chil-



Galia Maor: "It's strange to be a woman surrounded by a sea of men."

dren, including a two-year leave of absence when her hushand was posted to France. "Of course there is a real conflict between motherhood and a successful career, hut now that is a conflict for men, too," sbe says. For me the family has been very important, very supportive. We have shared everything."

That support seems to have been critical during the dark days of 1983 when Maor was the Bank of Israel supervisor of banks during the blggest banking crisis of the Jewish state. Her rise to supervisor of banks came after 19 years at the Bank of Israel, during which she worked in various capacities and studied at night to get her master's degree in husiness administration.

When she was promoted to supervisor of banks in October 1982, she seemed an ideal candidate. She had already overseen the consolidation of three failed banks in the late

1960s; she was well versed in banking supervision; and she was committed to a restructuring of Israel's antiquated banking laws. She began preparing new regulations to limit credit to single borrowers, groups and affiliated partles; improve accounting procedures; increase capital adequacy requirements; and establish a clear division of responsibility between management and

boards of directors. All these things were a clear chal-lenge to Israel's bankers who, in the 1970s and 1980s, were, according to Maor, "the emperors of the economy". But before the new regulations could be put in place, the government was forced into a \$7hn bail-out and takeover of the major commercial banks in the wake of a share collapse.

The Beiski commission of inquiry into Israel's hanking crisis criticised Galia Maor for negligence, but

stopped short of recommending her dismissal. "Throughout the crisis I was in the hot seat," sbe says. "As supervisor of banks, one key mis-sion is to survive, and to survive in such a job is a real achievement, as any central hanker in the world knows. It was a frightening time preparing to testify before the commission, because my whole career was ahead of me and it was extremely hard to prove my case."

She did survive, and although others at the Bank of Israel were forced to resign she was confirmed in her job and went on to carry out

changes she had started.

Those changes, particularly credit limits, created a powerful knock-on effect at many companies that, by the 1980s, were bloated and heavily indebted to Israeli hanks. The changes also caused a shake-out in tha banking system and they seriously curbed the power of the country's bankers. "In the 1970s and early 1980s...the finance minister came to them to make macro-economic policy. Today they are husi-ness people who work hard and try to play their role professionally and

decently," says Galia Maor. She left the central bank in 1989 and joined Bank Leumi in 1991. She was appointed managing director and ceo last August and heads Bank Leumi at a time when Israell banking faces continued reform, including completion of the privatisation of the major banks and new rules forcing banks to divest some of their non-financial assets.

Sha says her main goals are to improve the retail services of Bank Leumi, targeting banking to individual needs; continue to improve the performance of the bank's lossmaking US operation; bring in younger, more dynamic management; and shore up the bank's image among the public.

"It's very rewarding, but also very challenging. But the key to success is the same here as at the Bank of Israel You have to work hard and give up some parts of your life. Most importantly, you have to appreciate those who surround you and understand they are not playing against you hut are playing for you."



#### Prosser keeps a cool head as Bass prepares to buy

Bass is the company most likely to pull off the next hig takeover in London, and its chairman the person least likely to effuse about it, reports Roderick Oram

Sir Ian Prosser, 52 years old and 27 years at the brewing, hotels and leisure group, is reserved, formal and speaks earnestly about his responsibilities to company, shareholders, customers and employees. He talks like an accountant, not with the honhomia of a brewer or hotelier.

Colleagues say, however, that such a description misses other qualities. Prosser might be controlled and demanding but he is not an autocrat, they say. He is approachable and encouraging, an enthusiast for his work.

The probable hld target is Carlsberg-Tetley, the UK's third largest brewer and a joint venture between Allied Domecq and Carlsberg, the Danish hrewer. But the City of London thinks there is also logic to Bass buying Ladbroke Group for its Hilton hotel chain and betting shops, or William Hill for

its betting shops. Clearly the time is right for Bass to buy. The group is humming nicely, having overcome initial City scepticism about two events in 1989. two years after Prosser became

First he paid \$2bn for the Holiday Inn hotel chain just before the international hotel industry stalled during the Gulf war. Moreover. Holiday Inn clearly needed a lot of work to weed out shoddy hotels and uncommitted franchisees Second, he had led the British hrewing industry's negotiations

with the government over the latter's attempts to lessen vertical integration between brewing and retailing through brewers

Most in the industry were furious with the government for forcing them to dispose of thousands of pubs. Prosser never wavered. Bass is now well regarded as a hotelier and its reputation as a

brewer is restored. It is not the best pub owner in the country, but is learning to be more innovative.

Prosser will present his next deal to the City with conviction of logic and command of detail. But he will never regale even those he knows best with a gossipy account of how the deal was done.

#### Dealmaker hits the jackpot

Fresh from completing one of the world's biggest IPOs (initial public offerings) last week, Claes Dahlbäck, chief executive of the Wallenberg industrial empire's holding company, investor, was happy to admit that luck played its part in the SKr18bn (\$2.5bn) issue of a 50 per cent stake in Swedish truck maker Scania, reports Hugh Carnegy in Stockholm. As a result of the IPO, Scania became the seventh largest company on the Stockholm bourse, and the first Swedish group to be listed on the New York stock exchange.

For weeks beforehand, Dahlbäck had been among those suggesting that Investor had missed a golden opportunity to do the issue last year, when the world's truck markets were booming. But surging interest in cyclical stocks meant investor hit the jackpot after all. "In the end it was much better timing than last fall," said Dahlbäck.

The Scania issue was the latest in a long line of deals that Dahlbäck, 49, has handled since ha took over as Investor chief executive in 1978. He was originally picked by Marcus Wallenberg, the legendary giant of Swedish industry, who died in 1982. Dahlbäck subsequently became one of the closest advisers to Peter Wallenberg, the present family chief, who called him "a pearl" in an interview last year.

Apart from Investor itself Dahlback is on the boards of ABB. Astra, Electrolux, Ericsson and Stora. He is also chairman of Vin & Sprit, the state-owned maker of

Absolut vodka. One of his key missions now is to reduce the heavy discount to asset value that Investor's shares have hahitually traded at because it is mainly seen as a vehicle for defending Wallenherg interests. A likely next step is a stock exchange listing for investor in New York.

#### Whiteacre nurtures his new baby

Edward Whiteacre likes fishing, golf and most other aspects of the outdoor life, Alan Cane writes in London. The 6ft 5in Texan with the booming voice and forceful personality also likes masterminding the construction of

mega-companies.

Last week, SBC Communications, formerly South Western Bell, of which he is chairman and chief executive, merged with Pacific Telesis in an historic merger: the first between two Baby Bells, the US regional telephone companies created after the breakup of AT&T in the early 1980s.

The deal, which will result in the second largest telecoms company in north America, was kept well under wraps. Whiteacre and his opposite number in Pacific Telesis, Philip Quigley, explored the idea last year hut decided to do nothing until legislation liberating US telecoms was passed. Then the two mat in an aircraft hangar on neutral territory: Phoenix, Arizona, about half way between SBC's Texas base and Pactel's Californian home territory. Just under a month later, the deal

was consummated. Whiteacre, 54, was born in the small town of Ennis, south of Dallas. He studied industrial engineering at Texas Tech and has been 33 years in the telephone industry, most of them working for SBC. He was appointed to the top

job in 1990. Colleagues credit him with two coups which reshaped the company before the PacTel merger. The first was an early move into wireless services, the second, its acquisition of a 10 per cent stake in Telmex, the Mexican state operator, which cost \$1bn and is worth \$2bn today.

For all his entrepreneurial acumen. Whiteacre is regarded as a no-nonsense, unpretentious man. His ambition over the next few months, friends say, will be to make sure the merger leaps the regulatory hurdles.

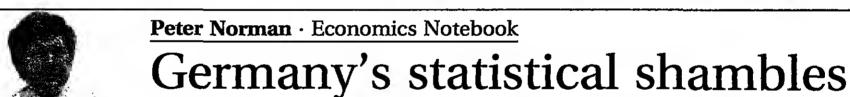


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Germany prides itself on its efficiency and modernity and lts position as the European Union's biggest economy. But its official statistics - the essential building blocks for understanding the economy - are a shambles. Take some recent examples. In

Fehruary, the Bundeshank was unable to produce its usual winter analysis of gross domestic product trends because of the "limited information content of the official statistics". The monthly industrial production and order figures published by the Bonn economics ministry have been subject to wild finctuations for more than a year. Since last May, the Bonn economics ministry's monthly report bas contained two nearly blank pages where retail sales were once detailed. A spokeswoman explains that the figures are unavailable because of a switch to a new sam-

pling method. To some extent, Germany's statisticians are victims of circumstances beyond their control. Reunification in 1990 prompted upbeavals that have yet to settle. According to Reiner Stäglin, a statistics expert at the German Institute for Economic Research (DIW) in Berlin, there are many areas where comparable statistics still do not exist between eastern and west-

Conforming with European Union rules has caused other problems. The erratic industrial produc-tion and order figures reflect a huge EU-inspired reclassification exercise at the heginning of 1995 that has involved 6,000 specific types of goods. Only a fifth of the figures gathered and reported



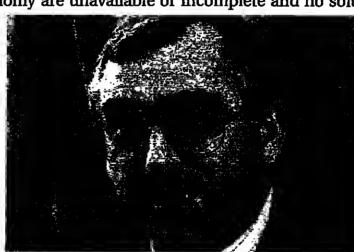
figures are being settled - gradually. Officials at the federal statis-tics office in Wiesbaden expect to iron out remaining inaccuracles by the middle of this year while year-on-year comparability will be restored by the end of the year.

But there are other gaps which will be less easily filled. The DIW's Reiner Stäglin says knowledge of developments in eastern Germany has been sharply reduced by a deci-sion to produce national GDP fig-ures from the beginning of last year rather than split tha data between east and west. The service sector, the engine of

growth in most developed economies, remains a largely unknown quantity in Germany. There are no official figures measuring the tele-communications business, the soft-ware and information technology industries or the husiness activities of such professional groups as estate agents, tax advisers and notaries. The Bonn economics ministry has drawn up a draft bill to secure such information, but offi-cials are unclear whether it will be law in the forseeable future.

At the start of 1996, Theo Waigel, the Bonn finance minister, was confronted with the wholly unexpected news that Germany's public sector deficit had amounted to 3.6 per cent of gross domestic product in 1995 and so exceeded the 3 per cent Maastricht Treaty ceiling.

Germany's failure to meet the Maastricht criteria gave rise to widespread doubt as to whether European economic and monetary union would start on schedule in



Theo Waigel: confronted with whally unexpected news

1999. The news would have been less surprising if Germany had monthly figures on the public secthose in the UK which detail income, expenditure and deficits. Cost is a key factor standing in

the way of improved German sta-tistics. With rising hudget deficits at federal and state level, there is little political will to invest more in figures. Bonn is looking for cuts in official data even though the pro-portion of the federal hudget spent on statistics feli to 0.05 per cent in 1995 from 0.077 per cent in 1970. Germany's federal structure

makes the gathering and evalua-tion of official data complicated: there are 16 state statistical offices involved in the process as well as the federal statistical office in Wieshaden, the Bundeshank and various ministries in Bonn and the federal länder.

There are other self-inflicted wounds. A turf dispute - the Bund-esbank versus the DIW and federal statistics office - may explain why seasonally adjusted figures are given so little prominence in com-parison with other industrialised countries. Both camps have developed their own method of seasonal adjustment, with the result that the user of statistics is confused by similar but incompatible figures for seasonally adjusted unemployment or GDP. When Germany's unemployment figures for March are published tomorrow, the number grabbing the hesdlines will be the seasonally unadjusted figure. Little wonder official statistics in

Rather than rely on the monthly production figures, the Bundes bank and financial market analysts turn to the monthly business opinion surveys of the Munich-based Ifo economic research institute for an insight into developments in the real economy. Yet the importance of official figures cannot be denied. In Germany, where the public sector accounts for more than 50 per cent of all spending, defective official statistics could have serious budgetary implications. For example, inflation-proofed pensions are linked to the average increase in net wages and salaries. A I per cent error on the upside when computing this statistic would cost the state more than DM3hn a year, which is more than the federal gov-

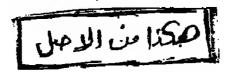
Germany are relatively friendless

Without stronger political backing, Germany's statistical commu-nity has only limited scope for tackling the present malaise. Two small steps would help. One would be an agreement on a single method of seasonal adjustment. Another, which would be a boon to financial markets and other users, would be to produce a clear and accurate calendar of forthcoming data releases similar to that produced by the UK statistics office. Above all. Germany has to learn

ernment has spent on statistics in

the past 10 years.

that with ever closer European integration and globalisation, statistics are no longer a parochial issue. At present, Germany's official figures may be bearers of bad news such as record unemployment and declining economic activity. But they should not be allowed to be bad news in themselves.



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#### **MANAGEMENT**

hings got beated, says Joe Blaker, group technical director, at Glaxo Well-come. "There was shouting at video conferences that went on into the early hours of the morning. Sometimes I just bad to tell people

they were wrong."

Blaker is talking about bow the company's management struggled to decide which plants should be closed after Glaxo's acquisition of its UK drugs sector rival, Wellcome.

The deal, completed a year ago, cost Glaxo co.lbn. It was the UK's biggest bostile takeover and created the world's largest pharmaceuticals company, with annual turnover of more than £10bn

From an investor's perspective. the takeover has been a success. The combined market capitalisation of Glaxo and Wellcome before the bid was £26bn. Today Glaxo's market value is £29hn and has been as high as £34bn in the past year.

But within the company, the upbeaval was a shattering experience, particularly for Wellcome employees. The integration of the two companies has led to the announcement so far of 7.500 iob cuts, more than 11 per cent of the combined workforce. Wellcome's research establishment in Beckenham. Kent, one of the UK's foremost centres for medical discovery, is to

A joint venture in non-prescription drugs was sold for \$1hn (£666m) to its partner. Warner-Lambert. The vast US manufacturing plant at Greenville, North Carolina, is up for sale. All the directors of Wellcome. bar one, have left. The combined company has sold manufacturing and research sites in France, Italy

At the outset Glaxo insisted that the new entity would be more merger than takeover, that there would be no triumph of victor over vanquisbed. Perhaps it sbould not be surprising that the reality turned out to be more complicated. The task was greater than most managers can ever expect to face: to bring together organisations with 62,000 employees in two separate research. manufacturing, marketing and sales organisations, operating companies in 70 countries and sales in 120.

The merger planning began even before the bid on January 23, 1995, Devised with the belp of Boston Consulting Group, it involved a cascade of decision making; each layer of management made proposals about which subordinates were to go or stay and their areas of respon-

ince Glaxo in particular had a decentralised structure, a mosaic of task forces put forward a series of cost-cutting strategies according to local markets. laws and customs.

Members of a co-ordination team jetted between different countries to resolve problems. A steering committee led by Sir Richard Sykes, chief executive, waved through - or

argued against - the proposals.

All divisions followed a centrally set timetable. April was for information gathering. May and June were devoted to preparing plans of action. On June 23, the executive committee heard presentations from the task forces. "That was the definltive decision-making event." says Jeremy Strachan, Glaxo Wellcome's is vast, employing 20,000 around the from managers at each site a ratio-head of legal affairs. The period world. No more than a score of dif-

One year after Glaxo's takeover of Wellcome, Daniel Green looks back at the trials and tribulations of the integration process

# The painful path from hostility to synergy

menting those proposals that were accepted. One challenge has been to reconcile profound differences tween the two companies, both

structural and cultural. "Wellcome was more of an academic culture and Glaxo more of a commercial, husiness-driven culture," says Robert Ingram, Glaxo Wellcome's US bead.

There was a feeling in the Wellcome organisation that this was a company that took care of its peo-ple. More so, being candid, than there had been in Glaxo."

Everything was different hetween the two companies," says Jean-Pierre Mangeot, chairman of Glaxo Wellcome France. "From finance to information technology. the structure of sales reps and the

Corporate culture in this case means more than feeling or atmo-sphere; the differences were reflected in widely different organisational structures, attitudes and lines of command.

"There was a strong sense of research for research's sake at Wellcome. Its origins in the charitable Wellcome Trust showed," says Stra-

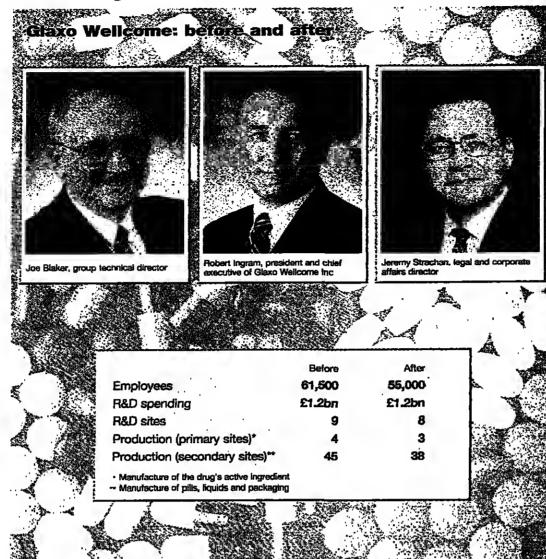
Less diplomatic Glaxo staff saw Wellcome as an over-centralised organisation with employees who were unrealistic in their expectations for the business's financial success. Academia-like penny-pincbing had saddled Wellcome with out-of-date information technology. Wellcome staff, in contrast, saw Glaxo as overly-commercial mercenaries assaulting their worthy enterprise and driven hy casb. This showed, they argued, in its enthusiasm for the latest high-tech research gadgetry while refusing to study tropical diseases where sufferers could not afford western

To try to combat such sentiments management declared that both old companies were history and decreed that a new company was to be built

In some areas, the means to that end was straightforward. In research and development, for example, projects from both entities were put in a single pot. Rival evaluation teams, each with members from the old companies, assessed every project for likely success and commercial potential.

The results overlapped closely and those projects with least promise were scrapped. Researchers who got the go-ahead could stay with the new company knowing they had its

Tha equivalent sequence of events in Blaker's manufacturing division was less genteel. His sector



national regulations mean there are 11,000 product licences covering such variables as packaging, insert information and dosages.

The production structure at Glaxo Wellcome, and in almost every other large pharmaceuticals company, is to bulk-manufacture active ingredients at a handful of primary sites. Production of pills and capsules, as well as packaging, is done at many more secondary plants, usually in the market in which the products are sold.

Consequently, after the takeover, the new company had two secondary manufacturing sites in each significant market, with primary manufacturing duplicated in the UK and

Blaker's response was to demand

Glaxo Wellcome's sales, yet should not change or close," says Blaker. However, the result was not as black and white as the method might imply. There were compromises, for example at Sophia Antipolis in the south of France. The plant was sold to management on the understanding that Glaxo Wellcome would use it as a supplier.

Blaker's biggest decision was over which of Wellcoma's two main manufacturing sites - at Greenville in the US and at Dartford, east of London - would survive. It did not take him long to see problems at the US operation. "The Americans were too headstrong, got their numbers wrong and built their plants too

Greenville had to go, with the result that savings in manufacturing were higher than anticipated at the start of the integration process.

The actions taken in the US were perhaps the most drastic. "The infrastructures for both companies had been built up over many years and they were just ripped apart. We're trying to build a new one simple things like computers and phones, making travel arrangements, botel arrangements," says Robert Bell, head of research at Glazo Wellcome in the US.

Under US law, severance terms had to be offered to all employees of the combined company there. "Frankly, the take on those was quite high," says Ingram. "Some people took early retirement who we wish hadn't."

The phenomenon was noticed by rivals. "I have never seen so many good CVs land on my desk," says the chief executive of one pharmaceuticals company.

since has been dedicated to imple- ferent products account for most of asked to demonstrate wby they lion in the execution of the merger. seemed to fare better. "Wellcome in that we're there right now."

the UK was a very generous employer," says Strachan, "Some-times significantly more generous than Glaxo." Some salaries were lower at Wellcome, but the pension plan was "the best in the country." says Strachan. "It was more gener-ous with holidays, severance terms

ous with homeays, severance saims and health schemes."

The solution was expensive but unavoidable, given that the Glaxo management was trying not to give the impression it was steamrollering Wellcome. The scheme offered allowed employees from both companies to choose either Wellcome's

or Glaxo's redundancy terms.
In Germany, management wanted to avoid the bad publicity that might bave arisen from cavalier treatment of staff hy a foreignowned business

"The package we offered was so good that when we presented it, the head of the works council proposed a round of applause for us," says Ralph Diehl, managing director of Glaxo Wellcome in Germany.

in France, the company established an organisation called Competence Plus, comprising employees who had been made redundant. They were guaranteed up to 15 months on full salary and given training courses on everything from "networking" to new skills.

They were also the first to be interviewed for any vacancies that arose within the new group during that period. Employees hired by other companies for trial periods had their salaries paid by Glaxo

or those who remained, there were improvements too.
Glaxo staff worked a 39-hour week, whereas Wellcome did 37 hours. Now Glazo Wellcome people work 37 hours. "We were concerned not to make mistakes in the social sphere," says Mangeot.

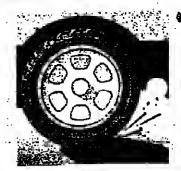
The issue has been sensitive for Glaxo, not only because of the political environment in Europe and the social chapter of the Maastricht treaty. Glaxo had had a chequered relationship with the French government, previously having been deadlocked with government negotiators over the price of its migraine treatment, Imigrane.

Partly as a consequence of such difficulties, Glaxo's French operation was only slightly bigger than Wellcome France, which did particularly good business there. Thus it made sense for Wellcome people to take the lead in the combined company. "That came as a shock to many Glaxo employees here," says

France, however, was an excep-tion in the integration of the two companies, because Wellcome people came out on top. The practicalities of running the worldwide merger made it all but inevitable that Glaxo would be the senior partner. Not only was it the victor in the bid battle but it was also three times Wellcome's size.

Even if Glazo staff were supposedly no securer in their jobs than those at Wellcome, sheer weight of numbers was bound to tilt the balance in their favour.

"It has been a tumultuous year. I don't think any of us would like to go through it again," says Robert Bell. "We're building a culture that in two years' time will lead people to say that this is a great place to



## FAST TRACK

Juan José Martinez-García has brought the front edge technology of the European Space Operation Centre near Frankfurt to the police department of a dormitory town outside Madrid. A former senior mathematician at the centre, his principle is that if an object can be tracked in the upper atmosphere, everything that moves at ground level can also-

be monitored. Now a professor of flight dynamics at Madrid university's school of aeronantical engineering, Martinez-Garcia has applied the lessons he learnt at the European Space Agency to GMV, a firm which he created in 1984 with Pta500,000 (£2,645) and five of his graduate

"I became convinced that there were specific areas where investment consisted of putting brain power together, not cash,' be says. "Spain has a lot of mathematical and engineering brain power." One of his firm's key assets is the competence lt has acquired in the development and application of Global Positioning System (GPS) technology.

ISF Internation

Frankfurt - Att

GMV reported a turnover of Pta1.3bn last year and employs some 80 highly qualified engineers. Headquartered at a greenfield site that lies half an hour's drive from Madrid, GMV uses the adjoining new town, Tres Cantos, as a showcase for some of its products.

Martinez-Garcia has supplied GPS equipment, developed by a unit called GMV Systems, to the town's police patrol cars and ambulances. The equipment permits real-time monitoring of the exact location of the vehicles and guides them along the fastest route to wherever they are needed.

The firm's core business is in space flight dynamics and : . #; satellite guidance and navigation systems. Martinez-Garcia says GMV is "certainly the leader in Spain and possibly in Europe" in GPS. research and application; his long association with the European Space Agency ensures GMV's ability to compete as a specialist supplier to the ESA at-acceptable prices. GMV Systems was created to

"spread the risk" of the niche activity by bringing the firm's mission analysis dexterity down to the mundane level of recognisable everyday life. Martinez-Garcia, who has grafted entrepreneurial expertise onto his scientific skills, talks about "a huge, incipient market".

Recently be sold a GPS application to Seur, a parcel delivery service, which uses it to monitor its vans' movements. He also has a GPS product line designed for buses that, after factoring in traffic jams and other variables, will inform waiting passengers, via panels set up at hus stops, when their

bus will arrive. Martinez-Garcia, GMV's owner and chief executive, is determined to remain independent and believes the firm's profits are sufficient to finance an acceptable pace of growth. In addition to its space sector profits, the firm has tapped a steady income source .hy developing "firewall" software protecting Internet

He expects GMV to grow by 20 per cent a year and to have doubled its business over the next five years. "That's a realistic estimate for us although the sector will grow. much faster. There is a real explosion in the GPS business."

Tom Burns

## The princely approach to leadership

sarily one's favourite An overbearing father to bis sous, wbo makes unfortunate remarks about ethnic minorities, and who is a fauatical lover of outdoor pursuits: there is little to recommend him. Yet at the age of 74 he seems to

be coming into his own, displaying considerable promise in a new career as a management guru. I bave just got hold of what I believe to be his first published writings on management. He has composed the preface to a new book from the Institute of Management called Leaders on Leadership, yet another collection of writings by (quite) famous people telling us how wonderful they are. The contribution from HRH is

limited to a page and a half in which he says that there is no one thing that constitutes good leadership, Leading, he astutely observes. may amount to more than saying 'Come on lads, follow me". For instance, it could mean gaining consensus on the board. Leading will be different in different lines of business: a politician and the bead of a voluntary organisation may require different skills. However, be identifies several traits common to most leaders: initiative, original thinking, problem solving and good judgment. "But I suspect one vital factor is the indefinable quality of character that creates confidence and motivates and inspires others to follow or to agree," be writes.

You could say that all this is pretty obvious. But it bas the advantage of being brief and clear. in marked contrast to much of the academic literature on the subject. Whole books have been written on leadership that make sucb a meal of the subject that you feel it must be highly complex, instead of quite straightforward as Prince Philip has correctly spotted.

I would very much like to bear what he thinks about other management subjects such as teamwork, change management or benchmarking. I expect his views on these mat-



#### **Lucy Kellaway**

ters could be written on the back of a postcard - which would make them as attractive to readers as they would be unattractive to pub-lishers of management books.

This time last year we were living in a permanent state of deep shock. Hardly a day went by without the revelation that a chief executive had received yet another enormous. undeserved, corrupting, disgusting, outrageous, scandalous (etc, etc) pay rise. This year there has been practically nothing in the papers to celebrate the executive pay season.

Does this mean that a mixture of Cadbury, Greenbury and fear of getting the Cedric Brown treatment has forced everyone into line? Not a bit of it. Managerial pay rises are still comfortably above the rate of inflation, and company after com-pany is still granting ever more gen-

The truth of the matter is that we seem to have got fat-cat fatigue. So long as the company is doing relatively well, then anything goes. Thus the recent revelation that Sir Richard Sykes of Glaxo Wellcome got £2.4m (for 18 months' work) raised few eyebrows. The company obscurely explained that in order to comply with Greenbury it was pay-ing its directors an extra £1m relating to the ending of an old performance scheme. So that's all right then. No story.

Should chief executives be allowed to sign their own expenses? Now that Peter Rohinson, the sacked chief executive of the Woolwich. has been caught allegedly using company gardeners at his own bome, there is talk of tightening up the system. But it is hard to see who else might be suitable for the task. Boards are overburdened as It is without fussing over the chief executive's taxi receipts, and underlings can hardly be expected to tell the boss that he should not eat at

the Savoy Grill every day.

It would be nice if checks were unnecessary: anyone who is trusted to run a company could surely be trusted to manage their expenses. For the few who get caught, there

area. Something that is permitted by one company can be a sacking offence at another. (Mr Robinson was fired for allegedly using com-pany money to do up his home, whereas SmithKline Beecham willingly gave Jan Leschly £833,000 in expenses to move house.) A more effective way of tighten-ing the system would be for the

One of the problems with

expenses is that they are a grey

company - which means the chief executive - to issue a clear statement of which expenses are admissible. That would make him more likely in live by the rules and others to notice if be did not The present muddy system does

have some advantages however. It makes it easier for fellow directors to get rid of chief executives they do not like. All they need do is track down a few instances when be has used the company car to pick up his daughter from the airport, wait for him to go on holiday, and tell him to clear his desk when he returns.

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#### **BUSINESS EDUCATION**

Della Bradshaw investigates an executive course where students have their minds set on travel

## More work and more play

hirty-three students lounged in the lecture room in Lancaster, in the north-west of England. Ten, or more, wore the white baseball caps emblazoned with the Lufthansa logo which had been distributed by participants from the German

company.

In the middle of one presentation a student from Matsushita was unceremoniously summoned to tinker with the seemingly temperamental Panasonic video recorder, amid friendly cat-calls from his peers.

Just a typical executive education course, you might think. But while the camaraderie may be typical, the underlying philosophy of this course, the International Masters Programme in Management (IMPM), is profoundly different.

Masterminded by Canadian veteran management thinker – and acknowledged guru – Henry Mintzberg, the course is intended to bridge the gap between traditional executive master of business administration (MBA) courses, which often indulge in theory at the expense of management practice, and in-house courses, which lack depth and perspective.

First, it puts particular emphasis on minimising the workload for the students, most of them aged between 35 and 45 and already playing significant managerial roles in their companie "These are busy people, who become even busier when they are doing the course. So we have to use their work, not add to it," explains Mintz-

To add weight to his point he tells the tale of one course student who applied to a very well-known business school to study on a modular course. The overworked manager received 7kg of books by return of post. Second, the taught element of Mintzberg's course comprises five modules of two or three weeks - each on a different campus. The first course was in Lancaster, the others will be in Canada (McGill University), France (Insead in Fontainebleau), India (Indian Institute of Management in Bangalore) and Japan (Hitotsubashi

Students can then complete a thesis, related to

gramme. Once during each residential part of the programme, and once between each taught element, the individuals peel off into company groups for discussion with a tutor.

Matsushita and Fujitsu, the two Japanese companies, form one tutorial group, BT and Telnor, the Norwegian telephone company which has a joint venture with BT in Sweden, a



their day-to-day work, to get a masters degree from either McGill University, Mintzberg's home campus, or Lancaster. About 80 per cent of the students on this first course will go for the

The course uses tutorials - a peculiarly British teaching method - to help weld the 12 weeks of coursework into a cohesive 16-month pro-

second, the Indian companies a further group While other courses home in on financial planning, marketing or information technology, the IMPM focuses on what Mintzberg calls "mindsets" - the reflective mindset, the worldly mind-set and the catalytic mindset, for example. "I don't think anyone's done two weeks on would lay open to ridicule any academic of

Unusually, IMPM is run collaborately by the five institutions involved. This means none of them "own" the programme, so that each school and each academic can express their views in their own style, says Jonathan Gosling, senior teaching fellow at Lancaster.

The IMPM is marketed to individual compa-- Alcan, Bobardier, Royal Bank of Canada and Kurlon, in India, are just a few - who then send a handful of students on the programme.

The course content demands that companies are fully supportive. While the students were in the UK, for example, they visited BT to ass the culture of the company and present their results as part of the programme. Similar expe-ditions are planned in each of the other four countries.

Comments from students indicate that the IMPM still draws on some of the best elements of more traditional courses. "The most valuable thing is the privilege of being in this group of people," says Jane McCroary of Lufthansa. "T've learnt as much at the dinner table as I have from the academics."

Other students bring a different perspective Abbas Gullet is head of a sub-delegation of the Red Cross in Tanzania, where he runs a camp of 700,000 refugees. His daily work has less to do with accounting than ensuring the smooth running of schools and hospitals and guaranteeing

the supply of fresh water.
Gullet argues that the International Red Cross, headquartered in Geneva, needs proper management as much as any other organisation. However, he acknowledges that his particular contribution to the course has been "the multi-

Harvard students will sit GMAT examination

Students applying to study at Harvard Business School from September 1997 will have to take the Graduate Management Admissions test (GMAT).

The decision by Harvard to introduce the test after 11 years is due to changes in GMAT, in particular the introduction of tests to evaluate writing skills, says the school. Applicants will still have to submit essays and recommendations and in many cases, be interviewed. Harvard: US, 617 495 6226

African high-flyers get free education

Young South African managers are being offered the chance to win bursaries to study management techniques in the UK. Ashridge Management

College, in Berkhamsted. Hertfordshire, is providing 11 annual bursaries for students on its international management development programme. One bursary will pay for all the the other 10 for tuition fees.

Ashridge: UK, (0)1442 843491

Europeans' case by case approach One of the long-standing North American traditions the international case competition – is being adopted in Europe.

Iese, in Barcelona, is to hold the inaugural competition in April. Students from schools in the US, Canada, Mexico, the UK and the Netherlands will carry out a three-day case study, assessed by a panel of business people. Iese. Spain, 3 201 4000

Tall stories on and off the rugby pitch

Students from 25 business schools donned their rugby boots recently to converge on the Duke School in Durham, North Carolina for the International Business

Schools Rugby Tournament. The Darden school at the University of Virginia took the honours for the rugby. However rumour has it that the squads from London Business School, Thunderbird and Kellogg took the honours in the subsequent "networking" drinking, singing and swapping tales of great play. Fuqua: US, 919 684 2823



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#### **BUSINESS TRAVEL**

#### Travel News · Roger Bray

Violence prompts alert Political violence in the Gulf state of Bahrain has prompted a new warning from the UK's Foreign Office. It advises travellers to steer clear of village areas, particularly after dark, observe local security precautions and respect religious and social sensitivities". Recent incidents have included bombs in hotels and two arson attacks on restaurants outside the capital, Manama.

Virgin's no-snow show If husiness commitments have wiped out the ski season.

compensation may be at band. Virgin Atlantic bas instailed a skiing simulator in its already quirky Heathrow lounge. Using poles for balance, the "skier" stands on two pads which detect movement. As the level of difficulty mcreases, a screen shows the piste ahead, with hazards such as rocks, trees and hlizzards. A sound system provides the swish of skies and a blower simulates the

rush of mountain air. The Heathrow machine is part of a re-vamp of the Terminal Three Clubhou Virgin's Upper Class From next month executives dragged off the siness trips will be able to practice outting there, as wellon an indoor green.

Peaceful airspace France and Spain are out of step with moves to cut flight delays by allowing airliners easier access to military airspace. Military flying has been reduced since the break-np of the eastern European bloc, and

restrictions are being eased. Thirty other members of the inter-governmental European Civil Aviation Conference will start phasing in the changes immediately, shortening journey times by enabling

airlines to fly less tortuous routes. Paris and Madrid, however, need more time – for technical and institutional reasons". Despite the stutter, aviation officials see the

Picture of planning Headed for Madrid on business? Fancy abandoning the laptop for a peek at the Prado's spectacular Goya exhibition? Beware. Arrange timed tickets before you go. Queues for the exhibition have been stretching to three bours. The trick is to book in advance (341 537 6200) and get your contacts in Madrid to pick up tickets. The exhibition runs watil

agreement as a minor miracle.

June 2. The gallery is closed on Mondays but is open until 9pm the rest of the week.

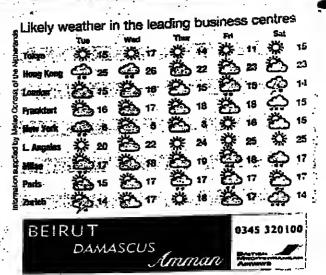
Quelle heure est-il? French prime minister Alain Juppé has flown a kite which will have timetable compilers around the world tearing their hair out. Maybe, he suggests, in an interview with newspaper La Croix, France should stay on Greenwich Mean Time plus one hour all year round. So Paris would be an hour ahead of London in winter - but there would be no time difference in summer - and the rest of western Europe would be an hour

ahead of the French in

summer - but not in winter.

Suggestions on a postcard. please, from those who think this is wrong. You should have plenty of time to work it out while you hang around for the flight you thought was departing an hour ago.

De-stressing JFK Buses linking terminals at New York's JFK airport are to be replaced by shuttle trains as part of a \$3bn (£1.96bn) programme aimed at making one of the world's most stressful airports a little more oser-friendly. Construction is unlikely to start before 1999, by which time JFK will be ... coping with nearly 40m passengers a year, 25 per cent more than last year.



## Your carriage awaits

rang out oo a recent Monday morning at Boston's South Station, a suited and briefcased Michael Lefferts rose from his

Lefferts, a consultant. was on his way to an afternoon business meeting in New York. and had chosen Amtrak as his mode of transportation. "I like taking the train." he said. "I bring my laptop and get four uninterrupted bours to work. And I arrive in the centre of the city. If you've ever taxied in from La Guardia, you know what a pain that can be."

Few business travellers share Lefferts' sentiments. "Most Boston-to-New York executives would probably take a plane," says Clifford Black of Amtrak, But that's going to change.

Amtrak is rolling out an ambitious campaign to lure business travellers from cars and jets on to the rail. Last January the group launched a new Executive Privileges rewards programme to compete with airlines' frequent flyer miles, and the company recently announced plans to run its first high-speed passenger trains in the US between Washington, DC, New York and Boston, starting in 1999.

Amtrak is spending \$1bn (£656.6m) on the project, which will shave an hour off travel time between Boston and New York, and up to 45 minutes off the New York-Washington, DC. leg. By shrinking the BostonImproved rail services are wooing US passengers away from the airlines, says Victoria Griffith

New York journey from four to three hours. Amtrak believes it can meet the "thresbold" at

an hour at either end to get back and forth from the airport, check in. that sort of thing," says Black, "We'd come

round-trips garner gift certificates at Manhattan department store Bloomingdale's, 30 minutes' free domestic calls on MCI, or a \$25 certificate for

Five round-trips mean a dis-count on a Royal Caribbean crulse, a magazine subscription, or a free Amtrak ticket. If the programme works well on the north-east routes, the company plans to introduce II to other parts of the country. While most business travel-

lers shun the train, Amtrak has had noted success in attracting executives on to its Washington-New York route. The company estimates that 65 per cent of passengers on the three-hour Metroliner service between the two cities are business travellers, and travel

which air starts to lose its Most air travellers count on

close to matching that." Meantime. Amtrak bopes its new incentive programme for business travellers makes a more immediate difference. A total of two round-trips along one of the north-east routes now brings a 20 per cent discount at Clarion botels. Four

travel on Amtrak.

MR. SANDERS WAS RATHER DISAPPOINTED THERE IS NO OBSERVATION CAR ON THIS BOSTON TO NEW YORK RUN . 自能計算



agency Rosenbluth International says 90 per cent of its husiness clients prefer rail to air or car between Washington

and New York. The Metroliner, which is more expensive than the normal rail services, sports sleek cars, roomy reclining seats and phia-based chemical and plas-tics group.

The success of the Metroli-

ner makes Amtrak believe it can pull in large numbers of business travellers on the Boston-New York route once high-speed rail is in place. Amtrak also hopes for good husiness on a few other routes. It is pushing the overnight rail service from New York to Atlanta, for instance, as a good way for executives to travel. The trains leave Manhattan at 6.45pm, and arrive in Atlanta just before 8am the next day.

Later this year, Amtrak will introduce new, more comfortable sleeper cars on the ronte. The new cars will have bigger windows, private showers and toilets, and an expanded dining

Speed of transportation is obviously crucial to most business travellers. Up to a certain point, air travel is always faster than trains. Other problems have also played a role in limiting the attractiveness of rail travel to US business executives. Until now, few trains have been equipped with a fullservice dining car, limiting travellers to hot dogs.

Train services were often delayed, and travellers reserving seats less than 10 days before departure were forced to visit the station or travel agent to collect their tickets. Amtrak says it is now addressing these complaints, and hopes the planned improvements help rail travel win a growing share

orget executive workplaces, telecoms links and expensive shops. What business travel lers in Europe really want more of at airports are play spaces for children, personal video screens and, when they bave finished with those, a chair that converts to a bed to

get some rest. While they wait for airports to provide these things, executive travellers' most frequent activities on the way to a flight are a visit to the duty-free shop and the lavatory.

That, at least, is the finding of a survey of the needs and wants of travellers using Euronean airports carried out by Vilstrup Research for Scandi navian Service Partner, Europe's leading airport caterer, which is part of Compass Group of the UK.

SSP was particularly interested to find that not so many travelling executives unpack their laptops while waiting as might bave been imagined. US travellers were the hardestworking nationality, but only 39 per cent always or often worked at airports. Just as many never did. Sixty-six per cent of Spaniards never worked in the departure

lounge.
"The image of the busy travelling executive is a myth," says Lena Andersson Hofsberger, SSP's chlef executive, with a smile, no donbt seeing the chance to lure more laidback businesspeople into her bostelries as they wait for

their connections. Aside from the demand for more and better toilet facilities (especially by Germans), of the business market, espe-cially in the north-eastern US. lers wanted most to see more the features business travelTime to

dwell Hugh Carnegy on a wish list for those who spend too much

time at airports of were children's entertainment and family facilities. Both these items were cited by more than 25 per cent of those surveyed, ahead of any other

Hofsberger helieves that when executives are travelling on business they want children taken out of their way. and when on leisure they want play facilities available for

their own offspring. Underlining the emphasis on relaxation, more than 20 per cent of executives surveyed wanted personal videos available in airport lonnges and almost 20 per cent wanted chairs that convert to

The survey covered more than 1,700 travellers of nine nationalities sampled at Copenhagen, Dublin, Paris Charles de Gaulle and Tenerife airports, More than 600 were husiness executives. The study examined what these people did - or wanted to do - in

what the industry calls their

"dwell time" - the time between entering an airport and time of departure.

The findings point to evidence of wasted time for companies pnying for the journeys: the survey found that the average dwell time was 9 minutes, with 11 per cent of travellers spending more than tbree bours at an airport. Dwell time had risen 8 per

cent in 1995 over 1994. What travellers do with all that time varies considerably from nationality to nationality, according to the survey. Taken together, more than 60 per cent visit duty free shaps. while 55 per cent nlp to the loo. Swedes are the biggest duty-free shoppers, and the higgest consumers of heer and wine in airport bars, perhaps reflecting the punitive taxes

on alcohol at home. The French are the heaviest huyers of newspapers, magazines and books and the heaviest users of fast-food outlets. Some 20 per cent of the French said they would like to spend their dwell time with an attractive stranger - compared to less than 5 per cent uf Germans. Germans are the least likely to lose their tickets, the British the most likely

Least surprising of all was the list of dislikes, Most unpopular are queues of all kinds and prices in shops and restaurants that are generally seen as too high. Interestingly. neither smokers nor nonsmokers are satisfied at present with airports' attempts to delineate smoking from normal smoking areas. On average, the survey found, 25 per cent of all travellers get angry doring dwell time.

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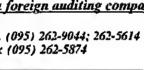
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According to a decision adopted by the government of the Land of Brandenburg the former military property of Wünsdort/Zehrensdorf (app. 25km south of Berlin) is being developed to become a lorest park. The overall area covers app. 600 hectares.

There are more than 3,500 flats, administrative buildings, intrastructural lacilities as well as app. 240,000m² of developable industrial area. Within a short time of the forest park of Wünsdorf/Zehrensdorf will be developed into an administrative centre. The modernisation of the first objects has already started. At present the demand for healing power amounts to app.3.2 MW. It will increase to app. 49 MW by the year 2005. The area is partially connected to natural gas lines. Within the tramework of a tendering procedure the EWZ -Entwicklungegeselfschaft Waldstadt Wünsdorf/Zehrensdorf mbh i.G. is looking for a partner for

the installation and the Operation of an Scologically Oriented Heat Supply System for the Forest Park of Wünsdort/Zehrensdorf. In addition to the heat supply conditions, the compilance with energy-strategic requirements, the technical solution and the competence of the company are relevant to the acceptance of the tender.

Submission of the tender in German language: 24th May 1996 The EWZ is not obliged to award the contract to any lenderer You can obtain the tender documents from the engineering office charged with the project:

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## Tense visions of future imperfect

Victoria Griffith eavesdrops on writers at a conference about privacy and the Net

forties, goes to the corner store to buy a few items. He places on the check-out counter a pack of chicken thighs. Ben & Jerry's ice-cream, savoury dip, and a few packs of Amstel beer. "That will be \$165.47." says the woman at the register. Tom thinks there must be some mistake. "What are you talking about? This stuff doesn't come to more than \$40." "Well, yes, but then there are the taxes." "Over \$100 in taxes?" "Yes." She consults the receipt. "It says here that you are in a high-risk category for heart attacks. The fees will offset the cost of your future hospitali-sation." "But this stuff's not even for me. It's for my wife's party." "Well, me. It's for my wife's party."

next time maybe yoo should send her to the store. It might be cheaper." That dialogue was dreamed up by author Pat Cadigan for a panel discussion of science fiction writers predicting life under the Net. The futurists' panel was part of a recent Massachusetts Institute of Technology (MIT) conference on computers, freedom and pri-vacy at which all the participants seemed to be promoting their own nightmare of cyberspace gone berserk

New technologies often incite fear. In the 1950s, the advent of computers inspired science fiction writers to invent robots which controlled the world; later, rockets gave rise to stories about aliens and humans lost in space. The Net is already creating its share of phantoms, as evidenced by last year's film The Net, in which a computerised mafia robs the heroine of her identity and tracks her down by tracing ber

Although many sense that the Net poses a threat, few agree exactly what that threat is. At one extreme, conference participants feared an electronic world that gives everyone, including hard-core criminals, nearly complete anonymity. At the other end of the spectrum there was dread of an Orwellian society in which the Net acts as the all-seeing Big Brother.

Over four days, champions of the information age clashed with guardians of privacy, while civil libertarians argued things out with those afraid of electronic pornographers, money launderers, drug dealers and political sub-

Martha's Vineyard-based author Simson Garfinkel, for instance, came up with a few terrifying scenarios about Net crime for a discussion group with David Chaum, the founder of the elec-

om, an overweight man in his tronic money group DigiCash. In one, a thief went on an electronic spending spree with stolen digital cash. In another, an elderly woman was elec-tronically robbed of her life savings. In the third, the stability of the US economy was at stake.

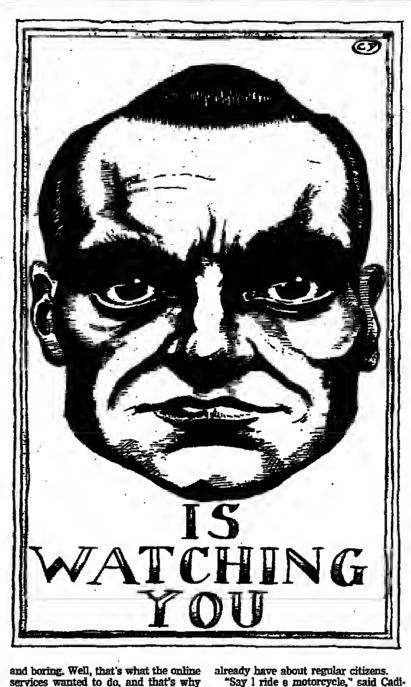
Garfinkel described it like this: "My name is Agent Jenkins. I'm an investi-gator with the secret service, working on a counterfeiting case. And it's tough. Last year, my office got a priority call from an economist at Stanford. The economist was looking at something called the money supply and velocity and both were increasing a little too fast. They just didn't add up. The economist finally figured an organisation was printing its own electronic money

just like the US government does.
"This counterfeit currency looked just like the real thing, except it was a fraud. She even found some of it – a digital dollar that was signed and sealed by the US government's secret key, yet had a serial number that had never been issued. The money that was being made was on the Net. It was everywhere and nowhere. And it was encrypted, so that we wouldn't even know it if we found it. Last month, we estimate, the total fraud was up to \$900,000 a month, and it is increasing

That scenario may seem bizarre, but the technological commentators at the conference insist that their terrifying visions are not remote. If you think the story about Tom is far-fetched, I don't know where yon've been for the last few years," said Cadigan.

dvocates of free speech claim that the Orwellian society is Inat the Orwellian Section Indiana. The desire for control, they say, is in danger of going too far. As evidence, they point to America's Communications Decency Act, passed as part of the telecommunications bill two months ago. The act bans offensive material from any Net or online site that can be accessed by a minor. Singa-pore, China, and Saudi Arabia are also trying to control what their citizens do on the infobahn. "Government is saying "Trust me'," said science fiction writer Tom Maddox. "But it may not be a good idea to trust government."

Author Bruce Sterling mocked the US Congress for wanting to limit what he sees as an uncontrollable phenomenon. "The government wants to create electronic suburbanity," he said. "They want to make it predictable, and neat,



**MEDIA FUTURES** 

and boring. Well, that's what the online services wanted to do, and that's why people are leaving for the unpredictabil-ity and disorganisation of the Net."

Those who fear cyherspace as a haven for criminals maintain that more control is needed. In the middle of the MIT conference, for instance, the news broke that an Argentine student had hacked into a Harvard University computer to gain access to sensitive US military and space agency files. And local newspapers are filled with stories about pornography and child abusers who stalk their victims on the Net. Information is a scary thing to many. Companies represented at the MIT conference talked anxiously about how to guard their secrets by means of cryp-tography, while futurists worried about how much information corporations

"Say I ride e motorcycle," said Cadi-

gan. Some survey might notice that motorcycle riders have a higher tendency to be meat eaters. Soon, I'm getting Oscar Mayer advertisements [cold meat products] in my e-mail. Then e tobacco company may decide that, because I'm on Oscar Mayer's list, I'm a likely smoker. So I get on another database. People may soon be distilled down to a list of Web links. There's this lust for information, and that information may really be none of our business."

Sterling thinks futuristic horror stories unnecessary. The nightmare is here, "We're chasing these bogus phantoms like the menace of cryptography and the threat of pornography in cyber-space," he said. "But the real nightmare is the hysteria the Net is producing."

#### Tim Jackson

## Not surfing, but stranded onshore

nomer. lt'e supposed to be a high-speed pastime of linking from information on the World Wide Web to the next. Bnt most Web users spend nine out of every 10 seconds simply waiting for material to appear - not so much surfing as sitting sadly on the

beach, wetching waves break over their toes. Numerous solutions have been proposed: new telecoms infrastructure that can carry more data; new charging systems to allow priority traffic faster travel; and cable modems allowing Net data to flow at the hreathtaking speeds of today's cable television. Yet instead of scaling back the size of the images they expect us to download, Web site owners continue to make their offerings more

However, some people are starting to seek opportunities in this inconvenience. At least three companies now offer software packages that allow Web enthusiasts to order their PC to download their favourite sites while they sleep, so that the information can be accessed directly off their own hard disk drive without delay the next morning.

Most striking among these "offline services" is Free-Loader, which has launched a beta version of its software before a formal launch in June. The company's name reveals the plan: to "freeload" off what other Web businesses are doing, rather than to compete either with other people's content or with the delivery mechanism dominated by Netscape browsers. The FreeLoader package is

file of 1.5 megabytes which can be downloaded off the company's Web site (www.freeloader.com) with a fast modem in 15 minutes. Installed in another three or four minutes, it insinuates

Surfing the itself on to Netscape by of Ziff-Davis. FreeLoader has adding a toolbar to the bottom of the browser screen.

To put the package to work, you simply look down a list of Web sites on the FreeLoader bome page, click a hutton marked "subscribe" for those that seem interesting, and then tell the program how often you want these sites downloaded and at what time. You also specify whether you want just a single page or layers of linked pages beneath it.

At first, I mistook the company for a me-too competitor to the PointCast Network, covered in this column last February. But there is a difference: FreeLoader does not mechanism, Instead, it makes a more simple pitch to site owners. Without paying, and without having to change their content, they can turn occasional surfers into regular subscribers, thus avoiding daily competition on the elec-tronic newsstand. With Free-Loader, they can also deliver graphical content previously unacceptably slow to down load, Among the names that have already signed up are ZDNet, HotWired, InfoSeek,

Yahoo and Playboy. Since the package will be free, the money will come from selling advertisements downloaded with users' chosen Web sites. FreeLoader's revenue model assumes that if each user looks at 10 pages a day, those "impressions" can be sold to advertisers for two cents apiece. With 200,000 users using the service 20 times a month, the company hopes to achieve \$10m (£6,5m) in sales after a year. The idea was dreamed up last antumn by Mark Pincus, 30, a former venture capitalist, and Sunil Paul, 31, previously of America Online. It evolved from an early idea for a hardware product that would serve as a kind of VCR for a network PC. After putting in \$50,000

each, the two men brought in two partners for \$3m: a New

York venture capital firm and

Softbank, the Jepanese owner

23 staff now; its working capi tal should run to a payroll of 50 by the end of the year.

The name FreeLoader was chosen after the two men bought the use of the URL freeloader.com from an individual for \$500. As a measure of the growing scarcity of "hot" Net domain names, Pincus cites another name they considered - download.com which be says became the object of a hidding war between two industry giants. and allowed the bright spark who had registered it for \$100

to sell it for \$50,000. The company is odd in one respect: it is based in Washington, DC, not in Silicon Valley. Pincus boasts that Free-Loader has just moved into charming offices in Georgetown, and talks disparagingly of Silicon Valley's "buge sub urbs" where you cannot tell Net companies from hardware

It is tempting to believe that FreeLoader's opportunity window could be swift to close, if technology and Net reform increase downloading speeds from the Web, But Pincus believes that site owners demand for bandwidth is like software companies' demand for processing power, it not only keeps increasing but it increases a little faster than capacity. A year from now, today's Web sites may down-load in five seconds, but by then, surfers will be drumming their fingers waiting for full-motion video clips.

A more worrying doubt is

that FreeLoader turns the Web into a frozen, one-way medium, removing many of its possibilities for interactivity and forcing users to go back online for the full experi-ence. This is harder to refute, but my own experience is that the vast majority of Web sites fail to make proper use of interactivity anyway. My guess is that the traditional one-way approach to Web site design will persist for many, many months to come. For the Net, that's long term.

## Secure software race begins

**By Paul Taylor** 

Open Market, a two-year-old Massachusetts-based start-up company, has developed a specialised software package designed to facilitate secure "industrial strength" business over the Net.

The software, called OM-Transact, and a sister package called OM-Axcees, enables companies such as publishers, retailers and banks wishing to conduct business over the Net to offer secure payment, complete order management and online customer services.

Businesses consistently cite concerns about security as a limiting factor in their use of

Cyber

sightings

The European Year of Lifelong Learning site

(unuw.cec.lu) provides informa-

tion about the year's activities

through Europa, the European

Commission's server. It has an

excellent range of resources,

including details of training.

best practice case studies.

nationally oriented links and

Britain's Chartered Insti-

tute of Management Accoun-

tants has set up a home page (www.cima.org.uk/cima) aimed

at letting members, students

and customers communicate

with each other more effec-

tively. Not sure about the

green newspaper background,

The American Society for

a feedback section.

As a result, secure transaction software is expected to be one of the fastest growing segments of the Net software market as businesses move from operating trial Web sites towards true electronic com-

The overall market for Internet software is expected to grow from about \$244m (£161m) last year to about \$2bn in 1997, according to Goldman Sachs, the Wall Street investment bank, and Open Market is hoping for a 10 per cent share of that.

Among its particular features, OM-Transact uses a sys-tem of codes that registered trading partners can use to authenticate Net transactions

Information Science (www.as-

is.org) is the sort of good infor-

mative site you'd hope to see:

lots of activity information, a

good what's-new page, and details of upcoming events as well as articles and papers.

• For US investors, PRARS -the Public Register's annual report service - has put up a

site (www.prars.com) which

will allow you to order annual

reports online. It has a toll-

free number while it's under

construction.

value stuff.

tion records for merchants and online account statements for Among its US-based custom-

ers are Time Warner, First Union National Bank, Banc One, Hewlett Packard and Digital Equipment, which are using the software for secure electronic commerce and intra-Net applications. Time Warner, the US media

group, is initially using OM-Transact to sell content online from its Paththoder Web site. In Britain, Unipalm Pipex, the largest corporate Net access provider, has announced that it is installing the first OM-Transact system

Richard Nuttall, director of electronic commerce at Uni-palm Pipex, says: "The agreement with Open Market to manage an OM-Transact system delivers the final piece of the electronic commerce jig-saw. We now have the capability to deliver a complete electronic commerce solution to our customers."

Meanwhile, Hewlett Packard is implementing an international system using OM-Axcess that will allow customers access to critical business information on HP products and services. OM-Axcese allows HP to provide selected users with secure and exclnsive accese to that informa-

the Potato of the Month site nercity.com) calls itself the from New Penny Farm in ultimate fashion experience. Maine (www.mainer-In association with Esquire ec.com/neuspen.html).

Wealth Clock (www.webho.com/WealthClock) is a way of reminding you of a statistic yon probably don't need to know, brought to you by Philip Greenspun, author of the inspirational Why Bill Gates is Richer Than You. Whatever the reason for Gates's wealth, it's probably not because he uses Bonehes (http://

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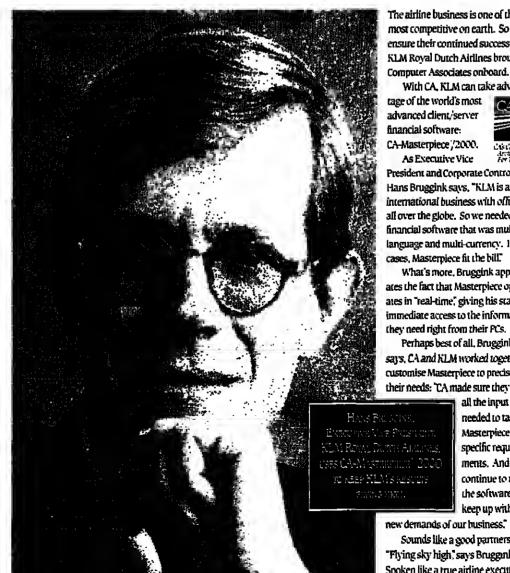
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As Executive Vice President and Corporate Controller, Hans Bruggink says, "KLM is an international business with offices all over the globe. So we needed financial software that was multilanguage and multi-currency. In both cases, Masterpiece fit the bill."

What's more, Bruggink appreciates the fact that Masterpiece operates in "real-time," giving his staff immediate access to the information they need right from their PCs.

Perhaps best of all, Bruggink says, CA and KLM worked together to customise Masterpiece to precisely fit their needs: 'CA made sure they had

> all the input they needed to tailor Masterpiece to our specific requirements. And they continue to refine the software to keep up with the

new demands of our husiness." Sounds like a good partnership. "Flying sky high, says Bruggink. Spoken like a true airline executive.

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#### SPORT / ARCHITECTURE

## Torquay fears turn of the screw

Keith Wheatley on a family football club at which lager barrels finance the mid-field



Innovative financing is the order of the day at the hottom of Eoglish soccer's Eodsleigh Insurance League, which accounts for three professional divisions below the hig-time clubs, ilke Newcastie and Manchester United, in the FA Carl-

ing Premiership. indeed, the boys at the hottom could teach the derivatives market a trick or two. For example, Riffi Haddaoui of Denmark made his debut for Torquay United thanks to a couple of harrels of free lager. Money is tight at Torquay. which is at the bottom of the Endsleigh third division and facing relegation into the abyss of non-league football.

Torquay's chairman and club owner, Mike Batesoo, wanted the Danish player oo loan until the end of the season, but wasn't too sure about how to find his wages. Eventually, he tempted Carlsberg into a non-cash sponsorship. Carlsberg gave United £1,000 worth of lager, which will be sold in the cluh's Boots & Laces social club to finance the young mid-fielder.

"It's frustrating, but we can't afford to buy the kind of player who'd make an instant difference." laments Bateson, who says he has put £325,000 into Tor-

quay since last November.
This is the ultimate family club. When I asked the smiling young receptionist for Batesoo, she dialled the hoardroom and said into the telephone: Dad. it's the chap from the FT." Miss Bateson turns out to be married to Torquay winger Richie Hancox, scorer of United's 39th minute equaliser against Hereford on March 30 (result: draw, atteodance: 2,034).

Hancox came across from the left with a diving header to meet a pin-point free-kick from the other side of the pitch. It was almost the only entertaining move the home side produced in 90 minutes - and the first goal Torquay had scored in seveu weeks.

My neighbours on the press heach broke off from a long, erudite and passlonate discussion of the novels of Henry James to watch the action. "Hancox used to be a really good player every week, but playing for Torquay has done his head in," observed one, before returning to problems of characterisation in The Turn of the Screw.

Many points adrift at the bottom of the lowest division, and, with only a handful of games to go, staring virtual extinction in the face, an apathetic fear has seized the club. Torquay has been a member of the league since 1927, never higher than the old third division and



Survival is the goal: from left, Riffl Haddaoui, manager Eddie May, and Paul Williams at the Torquay ground

spring sunshine, with seagulls cawing overhead and palm trees in the gardens of whitewashed villas, it was easy to helieve that professional soccer never quite belonged here anyway. On Saturday evening's BBC classified sports results, Torquay United always sounded an anachronism amongst the gritty Tranmeres and Workingtons.

Yet passion for the game exists on the English Riviera, as much as elsewhere. The day I was there, the Popular Side terrace was seething with discoo-tent over the chairman's decision to displace home fans with Plymouth Argyll's more numerous followers for yesterday's local derhy, which Plym-

outh won 2-0. A petition - how civilised: at Leeds United they would have broken the boardroom windows - was circulating against Batesoo's provocative decision, taken on safety grounds. A hanner reading "Sold Out Again" surfaced

occasionally in the crowd. "With Bateson it's all financial," raged Dave Hoult, a supporter for more than 30 years. "He's tried to make Torquay into a business, but football isn't a husiness. You can't make money at it. quite often kicking around the fourth.
When Hoult and his pals first visited
Walking to the ground in hright
Torquay in the 1960s they would get

washing the half-time teamugs.
"Taking players on free transfer and paying them with free heer... They're only available because they're bloody rubbish. How is it going to save us bringing them down here?" Hoult demanded. "If you pay the players peanuts you'll get chimps. All we've had for the last 30 years is

Needless to say, the viaw from the boardroom is rather different. "I've got 2,000 fans out there who claim they own the club, but when we tried a share issue they didn't want to know," said Bateson. His former company, Mod-Dec Windows, is Torquay's main sponsor. When he sold the husiness six years ago for nearly £5m. Bateson decided to invest in a small football club.

"It doesn't compare at all with any conventional husiness," he mused. "Those things we do control are as good as any other small company, but everything really important happens out on the pitch. It's highly frustrating trying to influence things out there."

If Torquay drops out of the Endsleigh league and into the Vauxhall Conference, it will lose at least £100,000 per season in league subsidies. And how

free admission and a pasty in return for many of the 2,000 regular fans will stay loyal? in turn, sponsorship income will fall once regular television coverage disappears.

Torquay's hest hope of staving alive hangs on another team failing. Stevenage, currently top of the Vauxhall Con-ference and eligible for promotion to the Endsleigh league, has a ground that fails to meet national safety standards. If Stevenage declines the big time, Tor-

quay lives to fight another day.

When the full-tima scores from around Britain came over the loudspeakers, Torquay's fans paid far more attention to the score at Stevenage than to those of their third division rivals. They were faintly ashamed, like people who hope fate's fickle finger is pointed at their neighbour, not them.

In the dressing room it was just plain awful. Manager Eddie May was taking the paint off the walls. "The second half was a load of garbage," he said. "I'm sure the fans are disappointed because it's not the way to win games. I warned the players at half-time it would happen, and I've told them now that if they don't want to listen, fine. At the end of the season they'll go."

Things at Torquay United are

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## Britain's finest pose challenge for Chicago

Colin Amery finds 50 architects displaying their talents in the birthplace of the skyscraper

I thus been described as "a challenge to Chicago" by the critic of the Chicago Tribune, and is the first exhibition of British architecture to be held in the Windy City. The Financial Times is the chief sponsor of the exhibi-tion called Contemporary British Architecture at the Art Institute of Chicago until May 5, which has been pro-duced by the Royal Academy. It is a benchmark ahow in that it contains the architectural fruits of the labours of the Royal Academy architects from 1991 to 1995. Some 50 architects - the cream of the British profession - are thus showing their wares in a city that is still the architectural centre of the US.

Chicago is a city climbing out of an architectural recession. It is the city of Frank Lloyd Wright, Daniel Burnham, Skidmore Owings and Merrili and Mies van der Rohe – a city where architecture is still part of everyday civic language. To be on the shores of the lake where the skyscraper was invented is always thrilling.

I do not think there is another architectural sight to beat the view from the air as you fly over the vast, flat prairie and see the fields of corn turn slowly into towers of huildings, with the grid pattern of the corn fields rap-idly transformed into the grid of the city. That visual point was not missed by the designer of the exhibition, Simon Templeton, from the office of Nicholas Grimshaw. He has hung the works on a steel grid that lines the walls of the art institute's Kuro-

kawa gallery. The challenge to the city that invented modern architecture lies in the sheer range and breadth of the British tal-ent represented. They are all there - the high-tech masters and the pasticheurs. Ove Arup's proposed design for an Olympic stadium in Manchester is shown in a dramatic

model that might have pro- work is far more radical than duced a full-scale masterpiece of engineering. In turn, there is nothing in

Chicago like the work of Rtchard Rogers, whosa unrealised tower for Tokyo. however, surely leans too heavily on Meccano to be taken seriously. Yet the work of Sir Norman Foster is a beam of light in a city where much recent architecture has tended towards nnsatisfactory post-modern gimmickry. Recent towers on Mtchigan Avenue hy Kohn Pedersen Fox must have Mies van der Robe turning beneath his granite tomh in Chicago's Graceland cemetery.

In the land of the out-oftown shopping mail there is nothing as good as the Sains-hury store designed by Jer-emy Dixon and Edward Jones at Plymouth. It is shown as a fine model - the romance of Plymonth's maritime past echoed in the arcade of sails marking the front of the store, making the supermarket an important landmark. The Jeremy Dixon design

for the bus station on the Piazzale Roma in Venice continnes the Sainshury-Plymonth tradition of making a mundane activity like parking into a geometric and ordered experience, while Glyndebourne's opera house and the new extension to the Houses of Parliament represent the work of Sir Michael Hopkins, an architect described as "the acceptable face of modernism" hut in fact one who has shown that tt is possible to apply eternal lessons to contemporary design.

The work of the late Sir James Stirling continues with his partner Michael Wilford, the competition entry for the Los Angeles philharmonic hall showing how the firm hreaks geometry apart in order to hreathe new life into it. The competition was won by Frank Gehry, the American sculptor-architect, whose

anything seen in this show. Indeed, there is an element in the show which American critics described as "the nos talgia zone" - represented hy Quinlan Terry's villas in Regent's Park, London, and by the farm buildings of Robert Adam.

In a city where a great new public library has been built in record time - the Harold Washington memorial library by Chicago architects Ham-mond Beeby and Babka – It is shameful to see the 20-yearold drawings of Colin St John Wilson's design for the British Library that is still being huilt at a snatl's pace in London. The Chicago Trihune asked: "Will it resemble a blockish factory or a sublime machine for learning ?" Time will tell. The Harold Washington library, tt should be said, has more then a touch of civic grandeur.

It is exciting to see the best of British architecture on display in this setting. But it prompts an important question about the status of architecture in the institute, which ought to have a wing devoted to the history of architecture in Chicago - and, by association, America.

The institute houses some wonderful fragments from the demollshed heritage of tha city but lacks a thorough survey of the great architects of its recent past. Whereas the British architects brought a freshness of vision to Chicago, tt would have been wonderful to compare them with the best of Chtcago's brilliant past - especially as the sources of so much contemporary architectural thinking are to he found

Incidentally, the best architectural hookshop in the world is in Chtcago and should not be missed by visttors. The Prairie Avenue Bookshop is at 418, South Wabash Avenue, in huge new

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( )

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textiles and accessories

dry cleaning and related

27-31 30° MOSTRA CONVEGNO EXPOCOMFORT International exhibition and conference of Heating, Air-Conditioning, Refrigeration, Plumbing & Sanitary Installations, Bathroom Fittings

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MIDO % International optics, optometry and ology exhibitio

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GRAFITALIA Exhibition of machinery and materials for the graphics, publishing and electronic publishing industries CONVERFLEX International paper, paper

converting and package printing machinery exhibition

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components for furniture

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2nd International exhibition for lifts, related components and accessories - technical press and services

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CHIBIMART '96 7-10 Selling Market of typical craft products

12-14 BORITEC 8th international Cooperation, Development and Investment Exchange

1-2 MIAS ESTIVO '96 International sportswear,

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Sheep and Cattle with Herdsmen by a Pool by Thomas Gainsborough

## Two artists with a way with paper

wo exhibitions of works on paper - hy the young modern painter Marlene Dumas and the 18th-century master Thomas Gainsborough - could hardly present a greater contrast. Yet for all their differences, of age, subject-matter and technique, the two artists also present a curious affinity. On the one hand Dumas glosses ber rapid wash drawings of the figure with a fashionable conceptual rationale, while Gainsborough tricks out his imagined and ideal landscapes with all the conventional devices of atmosphere and association. In the end the work of each comes down To the quality of the mark laid down on the page, and the disciplined

judgment of hand and eye. The faces, heads and bodies of Marlene Dumas, now on show in the Tate, may carry a certain interest for the themes they represent -"The Lover", "The Magdalena", "Jesus Serene". But without their particular qualities of drawing and painting, they would be little more than literal illustration. If a message were the determining factor in a work of art, we would be hard put to find a bad Crucifixion or Annunciation. It is a truth conceptual apologists too readily forget.

So with the landscape drawings of Thomas Gainsborough at the Cour-tauld Institute, where the point is reinforced by comparative examples from his peers, followers and lesser imitators, along with some downright misattributions, all from the Courtauld's own collections. For it is not those picturesque cottages and clumps of trees, those slowly winding lowing herds that matter, but only thet delicate, feathery touch by which they are realised. No man ever possessed methods so various in producing effect," wrote William Jackson, "and all excellent. The subject, which is scarce enough for a picture, is sufficient for a drawing, and the hasty, loose handling...is rich in a transparent wash of bistre and indian ink."

drawings in his lifetime and following his death was a remarkable epi-sode in British art. It was not his

The Turin production, conducted hy Evelino Pido and staged by Mauro Avogadro, offered an anti-

dote to both extremes. It underlined

that while Il corsoro may not be a

great opera, there are enough traces

of Verdian genius to justify occa-

sional performance. It is concise

and melodious in a workmanlike

manner, and it allows us to fill in

some important gaps in the extraordinary development Verdi under-

Rigoletto (1851).

CONCERT

**BERLIN** 

CONCERT

DANCE

studies from life that were so popular so much as the landscape idylis. What made them irresistible was their combination of apparent eccentricity of manner, their loose, mopped and scribbled effects, with the hucolic charm of their imagery. They were all too easy to imitate, which the Courtauld bere wryly acknowledges.

Marlene Dumas, now in her early

forties, is by origin South African but completed her studies in the Netherlands, where she has lived ever since. Her essential subject is the human figure and the sense of an immediate presence, registering moods and attitudes from tender ness to violence, innocence to guilt. Sex inevitably, and sometimes explicitly, comes into it, and indeed Dumas feels she must be sensually attracted to ber subject of the moment. Here she takes the particular themes of "The Absent Lover",

Daughter", treating them in extended series of heads and fig-

ures, such as the "Jesus Serene"

Opera in Turin/Andrew Clark

Full house for 'Il corsaro

we know equally well that when he started the project, he was seized by

the dramatic possibilities of Byron's

poem. Here is a swashbuckling cor-

group, which is intended to convey an intense but yet entirely spiritual sensuality, or the more obviously sexual "Magdalena". She works loosely and freely from

photographs in newspapers and magazines, her approach romantic and expressionist. The only pity is an insistent conventional need to justify the work in terms other than painterly. "Dumas addresses issues of enduring interest: race, sexuality, violence and tenderness ... Her works have been described as centring on people at the intersec-tion between experiences, feelings, ideas and their connections with the world around them."

She gets into the act herself. "I experience human beings as very untrustworthy creatures, because. even if not consciously or deliberately, they do much harm to one another." How very true. "We can't know what is going to happen at first glance, but the question is "The Perfect Lover", and "The not so much is the other person Daughter", treating them in good or bad, but who are we?" extended series of heads and figsomeone specially when it is an

erotic attraction, I am struck hy the complexity of my emotions. It is a mixture of beauty, vulnerability, love, fear and disgust, almost simultaneously; but how to paint or draw that!" Ob dear.

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But to her credit, her common sense then gets the better of ber.
"... the medium, the colours, textures, gestural marks and the brushstrokes must have freedom too, embracing chance and surprise . . . My paintings are also about material qualities, about the pure joy of making a work of art." Nowhere is this more obvious than in that set of large female figures, the "Magdalena", ambiguously fecund and seductive, Stated with so swift and confident an authority, they are the best things in the

#### William Packer

Marlene Dumas: works on paper. June 30. Thomas Gainshorough: drawings: Courtauld Galllery, London WC2, until May 26.

scenes, a forest glade for the harem, a handful of column stumps for the Pasha's lair – was of the minimalist variety, its chief attraction being the sophisticated colouring of the illuminated backdrops. Avogadro's staging was far too passive for north European eyes, and would have looked risible at Covent Gar-

So perhaps London has not lost so much after all. The Royal Opera could probably have staged a bare essentials" Corsaro, with a good deal more dramatic anthenticity, for half the price. Either it did not like the look of Turin's production plans, or it belatedly decided that trying to fill the house for seven performances with an unknown Verdi was too great a risk in the current economic climate. No such risk exists in Italy. There was not a spare seat at the Sunday matinee I attended in Turin, and the audience lapped it up as if it had heen

Fantastique, and Brahms' Violin

clarinettist and friends perform

Paul Smith True Brit: this

British fashion designer and businessman Paul Smith. The

Apr 10

OPERA

London Coliseum

Tel: 44-171-8360111

■ MUNICH

Nationaltheate

EXHIBITION

Design Museum Tel: 44-171-3786055

Schubert'a Octet in F, D803; 6pm;

exhibition features the works of the

display includes 18 fashion shows

Brit internet site, a conveyor belt

on touchscreens, a Paul Smith True

which demonstrates how the Smith

Orfeo; by Monteverdi. Conducted by Nicholas Kok and performed by

the English National Opera. Soloists

include Guy de Mey, Sarah Connolly

and Nerys Jones; 7.30pm; Apr 12,

operation works and Paul Smith's

personal notebooks; to Apr 10

Concerto; 7.30pm; Apr 10 Wigmore Hall Tel: 44-171-9352141

Emma Johnson and Friends: the

#### Theatre/Sarah Hemming

## The Thickness of Skin

he Royal Court's little Theatre Upstairs is certainly on a roll. Scarcely has Martin McDonagh's wonderful The Beauty Queen of Leenane vacated the space, when in moves Clare McIntyre's fine new play, The Thickness of Skin. Per-haps not such a cracker as the Irish play, this is still a beautifully written, humane piece about a group of people struggling with what hap-pens when charity begins at home. McIntyre keeps her focus tight and her scenes sharp and to the point. She homes in on one well-heeled, middle-class family: the ahrewish Roanna (Elizabeth Garvie), her pinstripe-auited hus-band Michael (Rupert Frazer), their teenage son Jonathan (Toby Ross-Bryant) and Michael's sister Laura. Roanna and Michael discover that

care in the community has arrived on their doorstep in the shape of imagen, their next-door neighbour, who has enough marbles to keep her out of hospital, but not enough to keep her out of their house, where she rabbits on about ber "voices" and and shows uncomfort-

able interest in young Jonathan.
Laura, meanwhile, actively seeks
out her problem. A teacher, nicely
spoken and well brought-up, she volunteers at a centre for the home-less and her life turns a sharp corner when - against regulations -she takes in one of the homeless men. She soon discovers that good intentions are not enough to clear up other people's mess.
What is so appealing about the

play is McIntyre's honesty. Her characters are far from perfect: Laura may be well-meaning, hut she is also unintentionally patronising: Eddie, her unconventional lodger (Mark Strong), has charm and self-respect, but a huge chip on his shoulder about being told what to do by women. McIntyre raises prickly questions about the motives for doing good, the nature of responsibility and the value of help, without ever abandoning her admiration for those who do at least try to do something.

Dialogue is acute and funny: McIntyre has a wonderful ear for embarrassed English attempts at communication. Hettie Macdonald's beautifully clear production wrings out every drop of humour from the script and is performed by a strong cast. Amelia Bullmore's Laura, in particular, is so painfully nice you feel yourself blushing on her behalf as she tries to express herself; while Maggie McCarthy's babbling Imo-gen is toe-curlingly good.

The play has flaws: the character of Michael, the authoritarian pater familias, is a stereotype, mostly there to supply the laughs; the ending seems to have more to do with wish-fulfilment than truth; and there is the niggling problem that the play itself cannot avoid a degree of bleeding heart liberalism - in the end, the dilemmas of the homeless and the mentally unstable are far more important than the agonies of conscience of the would-be do-good-

All the same, this is an admirable, moving play that attempts to grapple fairly with issues that stare you in the face the moment you step back out onto the street.

Continues at the Theatre Upstairs. Royal Court, London SW1 (0171-730

#### Concert/Richard Fairman

### Kremer and the Philharmonia

t is sometimes a good idea to have a major soloist to lead the andience hy the hand. The Philbarmonia was rewarded with a very respectable following for the last in its series of concerts with the violinist Gidon Kremer last week - even though the programme wandered off course and ended up

in the depths of late 20th-century Kremer is a thinking musician He wants to go beyond playing the ohvious pieces, even when he is choosing his 20th-century repertoire. This strange Russian programme included one piece that was written for him, and another rarity that Kremer arranged for himself to get it a wider hearing. His Brahms recently may have been less than ideal, but this is a class of

music he has made his own.

Every slight wisp of a musical idea in the Suite from Lourie's opera The Blackamoor of Peter the Great was filled with expression, which was just as well, as wisps were all that was on offer. Mention of blackamoors immediately brings to mind Stravinsky's Petrushka and there were musical recollections of that here as well - circus-like drum rolls, solo woodwind chatter and so on. But Lourié's score is a stop-go affair that can barely go a minute

without running out of breath. The only passages to go beyond atmospheric doodling were Kremer's two short "arias", which are his reward for putting together this suite from an opera that is still waiting for its first performance. It was a neat idea to pair that with Stravinsky's arrangements of two discarded brief sections from Tchalkovsky'a Sleeping Beauty.

The main work, however, was still to come. This was Schnittke's Violin Concerto No. 4, a gothic extravaganza, into which Schnittke tips everything that the concerto form might be or ever have been. The soloist sometimes plays with the orchestra, sometimes against it. In the central movement he eng in competitive showmanship,

playing faster and faster until he is left flailing wildly in the air like a madman. In the finale he turns to suhdued Mahlerian angst, as though to show that he can still touch the heart, even after everything that has been thrown at him. It is a larger-than-life solo role. No wonder Kremer refers to it as "my

This performance with the Philharmonia sounded well prepared and is due to be recorded. Kremer finds worlds of expression among the theatrical excesses of the violinist's part. In typical Schnittke style the orchestra is gigantic, including everything from a harpsichord to a saxophone in its desire to set off momentary resonances from every era in the history of music. Christoph Eschenbach did what was necessary to keep the ranks in order. He also conducted a heavyweight Prokofiev Symphony No 1 (the Minuet was danced in Russian army boots) and an all-or-nothing performance of Tchaikovsky's Francesca da Rimini.

Sponsored by Motorola.

#### Opera has lost a good deal in jettisoning its plan to co-pro-L duce Il corsaro with Turin. Verdi's Byron opera has just been

t is tempting to say the Royal

So London audiences have lost the chance to make a proper assessment of one of Verdi's least known works. We can listen to the music on record or in concert, but Verdi's theatrical instinct was such that his operas meet their true test only when they reach the stage. For about 100 years critics dismissed  $\Pi$ corsoro without having a proper chance to judge it. The tide turned in the 1960s, since when a handful of robustly sung productions has encouraged critical opinion to

performed to considerable acclaim at Turin's Teatro Regio, and was to have been re-staged at Covent Garden as part of the 1996 Verdi festival. Lack of money has forced the Royal Opera to limit itself to two concert performances in June.

swing the other way.

INTERNATIONAL

■ AMSTERDAM

Bengt-Aka Lundin: the pianist

performs works by Mozart, Liszt, De

Frumerie and Ravel; 8.15pm; Apr 10

CONCERT

EXHIBITION

Concertgebouw

Tel: 31-20-5730573

Stedelijk Museum

Tel: 31-20-5732911

Munch and After or The

Obstinacy of Painters: exhibition

Edvard Munch (1863-1944) in

contemporary artists who have

him or whose work expresses

Museet; from Apr 16 to Jun 9

Alhens State Orchestra: with

conductor Nikos Athinaeos and

ATHENS

Athens Concert Half

Tel: 30-1-7282333

CONCERT

come from the collections of the

combination with work by several

showing a selection of late work by

either expressed great admiration for

influences from Munch. The exhibits

Stedelijk Museum and Oslo's Munch

pianist Janis Vakarelis perform works by Papaioannou, Dvorák and Rachmaninov; 6.30pm; Apr 10

Joseph Meyerhoff Symphony Hall Tel: 1-410-783-8000

Baltimore Symphony Orchestra:

with conductor David Zinman and

pianists Leon Fleisher (Apr 11, 13)

and Gary Graffman (Apr 12, 13)

perform works by Paine, Bolcom

Konzerthaus Tel: 49-30-203090

Sinfonie-Orchester with conductor

Michael Gielen; 8pm; Apr 11, 12, 13

Ballett unter den Linden: perform

Maurice Béjart'a choreographies

Arnold Schoenberg and Der

Nacht/Verklärte Nacht to music by

wunderbare Mandarin to music by

Bartók; 7pm; Apr 10 (7.30pm), 12,

Komische Oper Tel: 49-30-202600

● La Traviata: by Verdi. Conducted

by Shao-Chia Lü and performed by

the Komische Oper. Soloists include Nadelmann, Oertel, Fedin and

oper unter den Linden

Tel: 49-30-2052851

● If Berbiere di Śivigifa: by Rossini.

Conducted by Sebastian Weigle and performed by the Staatsoper Unter

Symphony No.6: by Mahler.

Staatsoper unter den Linden

Performed by the Berliner

Tel: 49-30-2082861

Dobber, 7pm; Apr 12

Tel: 49-30-2082861

and Beethoven; 6.15pm; Apr 11, 12,

■ BALTIMORE

went between Nabucco (1842) and and there are some rousing duets and caballetes These were the moments which Verdi showed less interest in R corsoro than other operas of his galcame across most effectively in ley years: he wrote it to rid himself Turin. José Cura'a Corrado cut a of an obligation to one of Ricordi's suitably virile figure, his bronzed timbre sounding glorious in the tenor cantilena at the end of the rival publishers, and did not attend the premiere at Trieste in 1848. But

14 (6.30pm)

**OPERA** 

(7pm)

THEATRE

13, 14, 16

EXHIBITION

**BONN** 

Oper der Stadt Bonn

■ BRUSSELS

Manon Lescaut by Puccini.

performed by the Oper Bonn.

Conducted by Eugene Kohn and

Soloists include Karen Notare and

Fabio Armiliato; 8pm; Apr 10, 13

Kapitheater Tel: 32-2-2015959

Brace Up: Finished Story: based

Directed by Elizabeth LeCompta and

on Anton Chekhov's Three Sisters.

performed by the Wooster Group.

Fliakos, Karen Lashinsky and

Amos Anderson Art Museum

1946-1996: retrospective exhibition

devoted to the work of the Finnish

artist Lars-Gunnar Nordström. The

display shows the artist's work over

a 50 year period, including paintings, sculptures and prints as well as

personal storehouse. Nordström was

sketches of works-in-progress and

prefiminary drafts from the artist's

■ HELSINKI

L-G Nordström Years

Tel: 358-0-640221

The cast includes Willem Dafoe, Art

Beatrice Roth; 8.30pm; Apr 11, 12,

Tel: 49-228-7281

den Linden. Soloists Include.

Katharina Kammerloher (Apr 11),

Dagmar Pecková (Apr 14), isabella

Naws, Jeffrey Francis, Gerd Wolf

and Kwangchul Youn; 7pm; Apr 11,

stage personality. He was well part-nered by Maria Dragoni, whose glitsair who leaves his beloved to attack the Turks, is captured and imprisoned, finds an unlikely ally tering soprano was a match for Gulnara'a demanding coloratura. in the favourite member of the Pasha's harem, and returns home to Roberto Frontali made a hectoring find his beloved has poisoned her-self. Verdi captures the corsair's Pasha, Silvia Ranalli a pale Medora. Thanks to Pido's control of the vitality and romantic introspection, opera's swinging moods, the music

sounded both subtle and brazenly confident. It would have made an even bigger impact if the momen-tum had not been undermined by inexplicably long pauses between scenes. Carmelo Giammello's decor - a pier-end with silhouetted sailing ship for the opening and closing

Act 3 prison duet. Every performance finds this singer gaining in confidence and polish: all he needs

is a stronger director to develop his

one of the pioneers of abstract geometrical art in Finland; from Apr 10 to Jun 16

#### LEIPZIG

**OPERA** Oper Laipzig Tel: 49-341-1261261 Carmen: by Bizet. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists Include Cornella Helfricht, Hendrikje Wangemann, Ernesto Grisales and Tomas Mowes; 7pm; Apr 13

● li Trovatore: by Verdi. Conducted by Neuhold and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Makris, Hoffstedt, Grisales,

Tsumaya, Noack and Gaviola; 7.30pm; Apr 10

#### **LINZ**

CONCERT Bruckmerhaus Tel: 43-732-7612 Wiener Philharmoniker, with conductor André Previn perform works by Vaughan Williams, Cerha and Beethovan; 7.30pm; Apr 15

#### LONDON

CONCERT Barbican Hall Tel: 44-171-6388891 Gothenburg Symphony Orchestra: with conductor Neeme Jarvi and violinist Cho-Liang Lin perform Sibelius' Symphony No.7 in C, Violin Concerto in D minor and Symphony No 3 In C: 7.30om: Apr 12 The Royal Philharmonic

Orchestra: with conductor Jun'lichi

Hirokami and violinist Boris Belkin

perform Berlioz's Le Corsaire

Overture and Symphony

Tat: 49-89-21851920 Shannon Rose: world premiere of a choreography by Youri Vamos to music by Sibelius, performed by the Bayerisches Staatsballett; 7.30pm; Apr 10, 12

DANCE

■ NEW YORK CONCERT Carnegie Hall Tel: 1-212-247-7800 American Composers Orchestra:

with conductor Dennis Russell

Davies and pianist Cristina Ortiz. This all-Brazilian orchestral concert features in "Sonidos de las Américas", the American Composers Orchestra's third annual festival of music from Latin America; 3pm; Apr

#### PARIS

CONCERT Salle Pleyel Tal: 33-1 45 61 53 00 Orchestre et Chorale Paul Kuentz: with conductor Paul Kuentz perform Mozart's Requiem and Charpentiers Ta Deum, Soloists include sooranos Hélène Obadia and Brigitte Vinson, alto Catherine Cardin, tenor Hervé Larny and bass Philipe Langshaw; S.30pm; Apr 14 OPERA

L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99

 Billy Budd: by Britten. Conducted by Gary Bertini and performed by the Opera National de Paris. Sololats include Robert Tear, Rodney Gitfry and Eric Halfvarson; 7.30pm; Apr 10,

#### **■ STOCKHOLM**

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300 The Maids: by Bengtson. Conducted by Niklas Willen and performed by the Royal Swedish Opera. Soloists Include Arina Eklund, Eva Pliat and Gunilla. Söderström; 7pm; Apr 10

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acam.

WHARY TO JULY IS

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the whole European Union.

towards greater political inte-

gration. On this view, Emu is

an essential part of the move-

ment towards the wider inte-

A somewhat different view

is that Emu. regardless of its

own impact on political union.

itself requires such a union.

Mr Hans Tietmeyer, president

of the Bundesbank, argued in

April 1995 tbat, "after a cer-

tain point, economic integra-

tion cannot realistically be

expected to advance further

without the prospect of fur-

ther progress in the field of

politics. The transfer of an ele-

mentary sovereign right such

as monetary policy to a Euro-

pean Central Bank is likely to

mark that point."
Ou similar lines, Mr Otmar Issing, the Bundesbank's chief

economist, notes in a pam-

phlet for the institute of Eco-

nomic Affairs, a London-based

think tank, that "historical

experience shows that

national territories and mone-

tary territories normally coin-

clde."\* in explaining why this should be so. Lord Lawson.

the former UK chancellor of

the exchequer, notes that "if it

is to be workable at all, mone-

tary union requires full politi-

cal unioo". An independent

central hank. "witbout full-blooded political union".

would, he argued in July 1995,

"be constitutionally and demo-

There is yet a third perspec-

tive: that Emu and political

cratically unacceptable".

gration Mr Kohl seeks.

Martin Wolf

## A difficult bomb to defuse

Emu is certain to create serious political tensions in Europe that can only be contained by a willingness to move further towards political integration

For UK politicians, European economic and monetary union pendent aims. Mr Kennetb is a bomb with a delayed fuse Clarke, the UK chancellor, for of uncertain duration. Mr example, argued in February John Major, the prime minis-1995 that "it is a mistake to ter, hopes it will never go off. helieve that monetary union He is almost certain to be disneed be a huge step on the appointed. He also hopes the path to a federal union" proposed referendum will keep So will Emu lead towards his party togetber while it greater political integration. waits anxiously for the explosion. But Emu is not politi-cally explosive for the UK

require such integration, or be independent of it? The answer to these questions is that Emu alone. It is politically risky for is neither a necessary nor a sufficient condition for further political integration: but the ability to achieve further polit-This is not how Emu has usually been presented, in particular. Mr Helmut Kohl, the ical integration is a neces German chancellor, saw Emu condition for a workable and enduring Emu. as a sacrifice made by Ger many in return for moves Emu is not necessary for

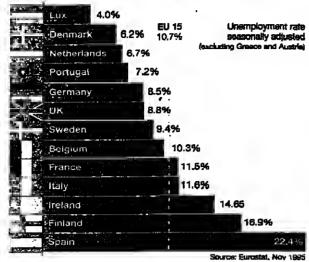
further political integration. It would be possible to develop common foreign and security policies and common policies on justice and immigration without Emu. Similarly, more powers could be transferred to tbe European parliament and the scope of qualified majority voting in the Council of Ministers could also be expanded without Emu.

More important, Emu is also not sufficient to secure further integration. On the contrary, both in the transition to Emu and in its ultimate operation Emu is as likely to tear the European Union apart as to bring its members close together. Emu would impose pressure on the ability of EU member states to co-operate barmoniously in at least 10

different ways. First. Emu must eitber exclude some of those which want to enter or include some which others want to leave out. If several big countries are excluded, they will resent that exclusion. If almost all are included, other countries are likely to resent the threat to monetary stability.

Second, the judgmental nature of the criteria in the Maastricht treaty, particularly on fiscal policy, will make the division among member states more painful, hecause more arbitrary

Third, the Germans will surrender the independence of the Bundesbank in return for How unemployment diverges in the EU



the chart sbows, European

unemployment rates diverge

aimed at raising standards in the labour market, is also

likely to weaken lahour mar-

ket adjustment to changing

economic conditions in partic-

ular countries. Pressures for

more expansionary monetary

policy will be the inevitable

Eighth, in an irrevocable

monetary union, the risks from fiscal incontinence fall

on all participants, not just on

the irresponsible country.

Concern over this explains

wby Mr Theo Waigel, the German finance minister, bas pro-

posed a "stability pact", with

fiscal deficits normally at 1

per cent of gross domestic

product and never over 3 per

cent. But he is unlikely to ohtain sufficiently tough sanc-

tions to achieve such targets.

countries the fiscal room to

respond to country-specific

sbocks or divergent cyclical

conditions. In the absence of a flexible mechanism for fiscal

transfers within the EU or

substantial lahour mobility

across frontlers, substantlal

flexibility in government bor-

rowing seems the only hope.

Ninth, Emu must also allow

Seventh, a "social union",

substantially.

wbat one German politician has condemned as "Esperanto money". Such a sacrifice must undermine their devotion to the European ideal.

Fourth, the French bave wanted Emu because they bave frequently found the Bundesbank's monetary policy too tight. Either they will fail to obtain the more expansionary policies they seek within Emu or the Germans will be forced to accept more relaxation than they wish.

Fifth the European Central Bank is certain to impose inappropriately inflationary or deflationary monetary policies on particular member countries from time to time. The more economically diverse the membership, the more frequent that will be.

Sixth, successful policies to lower unemployment could, in the words of Mr Eddie George. governor of the Bank of England, "have a significant impact on the sustainable pattern of real wages and of real exchange rates within Europe, And in these circumstances some independence of monetary policy, and some nominal exchange rate flexibility, could be useful in rebalancing the different national economies." This is important hecause, as flict with the need for fiscal discipline. Finally, the European Cen-

But this would create a con-

tral Bank will both determine its objectives and how to achieve them. As the child of a treaty, it will almost cer tainly be the most powerful and politically unaccountable central bank in the world.

What all this means is quite simple: in and of itself Emu is certain to create significant political tensions within indi vidual member states, among member states and between member states and the Euro pean Central Bank. Emu will prove compatible with a bealthy EU only if these vari-ous tensions are contained by a strong belief in the legitimacy of all the various decisions it involves.

Provided members were pre pared to accept the legitimacy of decisions over which they would bave, individually, little control. Emu would require no greater political integration than is already contained in the Maastricht treaty. Yet this would he so only hecause members had such confidence in one another and in the EU that further political integration would be quite simple to achieve. Further political integration would not be oecessary only If it were outte easy, But it is demonstrably difficult, which is why Emu has advanced much further than

political integration. "Do resolute courage in monetary policy and timid hesitation in the area of general politics complement each other to produce a oromising integration strategy." asks Mr Issing. The answer to this telling quesilon is "oo". Emu is a bomb. The explosive force it is bound to generate can be contained only by a strong commitment to deeper integration among its actual and potential members. Does such a commitment exist? On present evi-

dence, it seems unlikely. \*Otmar Issing, Europe: Political Union through Common Money?, Occasional Paper 93 (London: The Institute of Economic Affairs, 1996).

Philip Stephens

## Blair and the gospel according to Clinton



needs Bill Clinton to win ln November. I suspect that the Lahour leader would tell you that the outcome of

the US presidential election is irrelevant to his own prospects of replacing John Major. But, assuming the prime minister is not forced into an autumn poll, Mr Blair would be wrong. If the 72-year-old Bob Dole wins the White House then Mr Major's stubborn notimism will seem just that little bit less incomprehensible.

f doubt somebow that the voters of middle America have ever beard of the Labour party's youthful leader. But to middle England, Messrs Clinton and Blair are two of a kind. They are the modern face of left-of-centre politics, New Democrat, New Labour, Both have shaken up their parties and given a bard edge to their policies. They preach a similar gospel of active rather than hig government. It will count in Peterborough if the voters in Peoria decide that it is the Republicans, after all, wbo have the answers.

Mr Clinton won in 1992 because he was a different sort of Democrat. If Mr Blair emulates that success it will be because his instincts are just about as distant from those of his Labour predecessors as you could reasonably imagine. Take away the lines etched on the president's face by the rigours of office and the two men

even look alike, So there is scarcely concealed excitement in the Blair camp ahead of their meeting in the Oval Office later this week. There are no votes in the encounter for Mr Clinton, little reflected glory for a US president in welcoming the opposition leader of a quaint little country on the other side of the Atlantic. But the signs are that he intends to be generous

in his reception. When the two met in London last November they got on well. As one US official remarked at the time, there

was "generational chemistry" between two near-contempo-raries at Oxford. And Mr Blair is not Mr Major. The White House, it seems, has still not forgiven Mr Major's Conservatives for their crassly overl support for George Bush. Back in the dark days of

Lahour's fourth consecutive election defeat in 1992, the Democrat victory offered a last, flickering, flame of bope for Labour. It broke the spell of the free market politics which bad kept the Republicans in the White House and the Conservatives in Downing Street throughout the 1990s.

Crucially, Mr Clinton had dumped the politics of interest groups and minorities which bedevilled the old Democrats and still paralysed Labour. He had distanced himself from the big unions. He had preached the gospel of enabling rather than oppressive government. And he had won. During subsequent pilgrimages to Washington before be became leader, Mr Blair drew the obvious conclusion. As be told John Darnton of the New York Times last week, there was a sbared diagnnsis in Washington and Lon-don, Both parties had reached an impasse during the 1960s and 1970s: "We were hig-governmeot, special-interest-run

That is not to say that New Labour bas been constant in its affections. They are a fickle lot, these moderuisers. Mr Blair's election as leader in 1994 gave him the opportunity to put the lessons into practice. But it also coincided with a dramatic slump in the president's fortunes. His domestic programme had collapsed and Newt Gingrich's Republicans

parties

were sweeping the Congress. Suddenly, Mr Clinton was not quite such a fashionable commodity among Lahour's Islington intelligentsia. There was scarcely-disgulsed scorn at the president's failure to develop a coberent programme for government before the election. With all the arrogance of those who have never heen close to real power, some of Mr Blair's friends assured us he would never make such an elementary mistake. So Mr Blair headed first for Australia. where Paul Reating appeared to be a left-of-centre leader who understood not only how to

win power, hut also in use it. But now Mr Keating has been swept aside, and Mr Clinton is riding high in the opinion polls. The policy parallels are again being drawn between New Democrat and New Labour. Welfare-to-work, a central Clinton theme in 1902, is near the top of Mr Blair's agenda four years later. The Labour leader's stakeholding philosophy contains important echoes of the "responsible corporation" and "responsible investment fund" ideas being promoted in Washington. Both attempt to address the shorttermism and under-investment which threaten employment and prosperity on both sides of the Atlantic.

There is a broader common understanding that, if left ofcentre governments are to eschew Keynesian demand management, they must demonstrate that there are other ways in which government can make a difference. Gordon Brown, Labour's shadow chancellor, has built good relationslups with the thinkers in the US Administration, notably Robert Reich and Larry Summers Education, training, and investment are the constant themes of their conversations.

And it is here we come to the essential link between Mr Clinton and Mr Blair. For all the cultural and political differences which come with 3,000 miles of the Atlantic, both will be fighting elections dominated by the nightmare of the 1990s economic insecurity. The choice lies between the right's prescription of small government, low taxes and an ever more flexible marketplace and the centre-left's promise of proactive partnership between

state and private enterprise. Mr Blair will gain most from this week's encounter. It still matters in Britain when politicians are treated well at the White House. But in his position I would have only one question for Mr Clinton. How does the president plan to win?

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#### ·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'l. e.mall: letters.editor@ft.com Translation may be available for letters written in the main international languages.

#### Support social clause in trade agreements

From Mr John Monks. Sir. Your editorial "The road to Singapore" (April 3) argues that it is better for those who oppose protectionism to engage with the debate around international trade and lahour

standards, rather than to stand in the way of change. The Trades Union Congress beartily agrees. So do trade unions in the developing countries, even if in some cases their governments do

developing and the industrialised countries advocate a social clause in trade agreements to ensure that certain basic standards are observed in all countries. These core standards freedom from forced labour. freedom to organise independently, freedom from discrimination, and measures to reduce dependence on child labour - are among the hasic rights that every country

Trade unions in both the should be able to observe, regardless of its level of development. Our view is that the expansion of trade and a core of established labour standards are mutually reinforcing and provide the best opportunity to raise living standards in the

> workers, whether union members or not. to tackle the protectionist

developing world for all

If the UK government wants pressures that clearly exist, it

should work with those of us who want to see a social clause introduced through the multilateral mechanisms of the World Trade Organisation, rather than imposed hy unilateral action by the industrialised world.

John Monks. general secretary. Trades Union Congress. Congress House, **Great Russell Street** London WC1B 3LS, UK

#### Resignation essential

From Mr Peter Frankel. Sir, Chancellor Kenneth Clarke has only one choice after his statement to the House of Lords Committee on Monetary Union ("Minister warns against hasty Emu rejection, March 29) – resign from the government.

No-one sbould remain a minister who has the following three policies in mind: The removal from the Bank of England of all rights to determine interest rall. or any matter which today is its exclusive prerogative;

 To remove from parliament all power to make decisions affecting the economy and make it a surrogate of a central bank located in Frankfurt, Germany,

 To mortgage the future of the British people to the point where they will lose their sovereignty, the right to make be subject to the determinations of unelected officials and a small group of people sitting in Brussels

running the new federation.

Mr Clarke's statement that there would be an investment loss is incorrect. On the contrary. German banks and industries are increasing their investments in the UK because they are confident that we will never join any economic union as proposed by the Maastricht

Peter Frankel. 'Elmstead", Limpsfield Common, Surrey RH8 OSX, UK

## Russian nationalisation would be real fear.

From Mr Mergen Mongush. Sir, In ber article "Yeltsin signs Belarus pact" (April 3). Chrystia Freeland said closer ties established by President Yeltsin with Belarus was a tactic in his campaign strategy - which included a promise to re-build the Soviet Union. I bope this does not frighten readers as being a sign of a U-turn in Russian policy. The signing has become just

another celebration in a long list of such events that appeared before, during and

From Sir David Walker.

after the Soviet Union, The Soviet Union was first of all a country with a strict, planned economy based on Lenin's utopian idea of a society where it is possible for a group of people in a planning body to envisage demand and supply for the nation, and plan it all.

That was based on Marx's equally utopian idea of state ownership which would lead to idyllic crisis-free production, similar to that of a single producer which could manufacture all that was

needed. A real attempt to re-build the Soviet Union would have begun exactly as it was built in the first place - by speedy nationalisation and plans written by pro-Communist economists and forced hy the entire state with. as Trotsky pnt it, military discipline. So watch out for nationalisation in Russia -

that is what you have to fear.

in January this year that the

Better

Mergen Mongush, Ratnaya 8-1-118,

#### **Factors behind Global Opportunity Fund**

Luxembourg (MSBL), as the fund's administrator, received and reviewed asset valuations

provided by Intercapital. The

valuations were supported by independent confirmations

from outside market makers,

on which MSBL relied in good

faith. MSBL had no reason to

were inaccurate, or to attempt

believe those confirmations

to second guess them by

calling for data based on

secondary sources used

elsewhere in a completely

separate entity within the

Morgan Stanley Group for a

Str. I am writing with regard to the article "Investors win round in \$44m suit" (April 2) about the Global Opportunity Fund. I wish to draw attention in particular to the following. The Global Opportunity Fund is a Cayman Islands fund, not a Luxembourg fund. The root cause of the problem is that the fund and its investors were let down by Intercapital Asset Manager Limited, the fund manager The position taken by Lee & Allen's clients in the current litigation is that, following trading losses sustained by the fund, Intercapital over-valued certain of the securities in the fund and therefore overstated the value of the fund as a whole. Intercapital is now in

liquidation. Neither

Morgan Stanley Bank

different purpose (day-to-day monitoring of collateral for A number of investors owe Intercapital not its managing director, Geoffrey de Sibert, was connected with Morgan

Morgan Stanley International Limited (MSIL) money that was loaned to them. MSIL is entitled to have that repaid.
 The description of what happened in relation to the fund since the beginning of this year is misleading. The directors of the fund concluded

proper course of action was to place the fund in liquidation. We are frankly puzzled as to why the claimant investors took a different view by voting against liquidation at an EGM in February. We were promised details of why the claimants believed the appointment of so-called "independent" directors (to be proposed by the claimants) was more appropriate than allowing an obviously independent liquidator to wind up the outstanding affairs of the fund. These details have not been forthcoming. Morgan Stanley continues to take the view that liquidation is the most appropriate course.

David Walker, chairman. Morgan Stanley Group (Europe). 25 Cabot Square. Canary Wharf, London E14 4QA, UK

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Tuesday April 9 1996

## Anglo-German attitudes

Mr Jürgen Schrempp, chairman of Crises at Klöckner-Humboldt-Daimler-Benz, has never made any Deutz, Metallgesellschaft, Schneider and Südmilch have cast seri-Angle-American notion of shareholder value in Germany's biggest industrial company. Yet the decision by the supervisory board last week to sanction the introduction of an executive stock option scheme despite the protests of most of the board's employee rep-resentatives still looks a surpris-ing desarture for the group.

German

unions in:

miss over

sick pay

ing departure for the group.

The post-war corporate culture in Germany has been characterised by a high degree of trust between the different stakeholders, together with low wage differentials in the workplace. To adopt a stock option scheme when the payouts from such arrangements are causing political uproar in the US, and to a lesser extent the UK, might appear quixotic. Yet the case for seeking to

establish a closer alignment between the interests of owners and management is not difficult to make here. One of the disadvantages of a bank-dominated corporate system is that banks may have a greater interest in promo-ting size rather than profitability. It is certainly striking that Deutsche Bank, the biggest sharebolder in Daimler-Benz, was infimately involved in the disastrous conglomerate strategy pursued by Mr Schrempp's predecessor, Mr

Edzard Reuter. Nor does bank representation on the board appear to have provided the guarantee of close performance monitoring that some British admirers used to claim. Recent pered by social conscience.

ons doubt on the effectiveness of supervisory boards generally. And at Daimler-Benz problems were allowed to fester for far longer than a market-based governance system would have tolerated. As the maturing of Germany's

book reserve system of occupa-tional pensions imposes greater needs for external capital, and German companies aspire to a greater international presence, it is inevitable that governance and accountancy will shift further in an Anglo-American direction. Daimler-Benn's decision to obtain a listing in New York was an early indication of the trend.

Yet such moves are not without wider costs. The sense of commnnity in the German workplace creates valuable social capital which has contributed importantly to competitiveness in world markets. But such capital is anyway threatened by increased international competition, new technology and an overvalned exchange rate. These are probably more important threats to social consensus in industry than stock options for top managers in the relatively small part of the economy that is in the hands of quoted companies. The idea that property owner-

ship entails duties as well as rights is firmly embedded in the German constitution. It follows that decisions on such matters as dividend policy at Daimler-Benz

## Mandela's rand

election victory that brought Nelson Mandela to power, or the Springbok triumph in the world rugby cup, but it is none the less a landmark for post-apartheid South Africa. Last Thursday the African National Congress (ANC) became the custodian of the South African rand, with the appointment of Mr Trevor Manuel, the former trade and industry minister, to the finance portfolio vacated by Mr Chris Liebenberg.

For the first time since the govthis critical job comes from the ranks of the ANC - much to the

market's alarm. The rand fell 10 cents in one day to a historic low of 4.11 against the dollar. Over the last six weeks, the currency has dropped 12 per cent, prompted by speculation about Mr Mandela's bealth, as well as rumours about Mr Liebenberg's impending departure.

It was a baptism of fire for Mr Manuel, obliged to come to the defence of the rand at his first press conference. Yet there is no reason to believe that he is any less committed than his predecessors to the fiscal discipline that has marked the country's economic management. Far from being seen as a liability, Mr Manuel's record as a black anti-apartheid activist can be turned to advantage, for he can speak with a frankness denied his apolitical

First he should hammer home the economic realities. Although the economy grew by 3.5 per cent last year, the highest for a decade, only 12,000 formal sector jobs have been created in the past three years, while some 300,000 school leavers enter the market annually.

Foreign investment has been disappointing. The reason is clear. In a recent study of global compet-itiveness by the World Economic Forum, South Africa ranked 42nd out of 48 countries assessed. . If the government is to achieve

ernment of national unity took its target of 6 per cent annual office in May 1994, the holder of growth by 2000, Mr Manuel has no time to lose. Privatisation, which is encountering trade union resis tance, must move faster. The budget deficit, currently 6 per cent of GDP, targeted at 5.1 per cent in 1996-7, must be reduced further.

The new minister must also press ahead with the phased relaxation of exchange controls. And perhaps above all, he must urge the Congress of Sonth African Trade Unions, which successfully lobbied against an increase of VAT by 1 per cent in the recent budget, to accept the need for more revenue raising measures.

Few political parties have com to power facing such formidable challenges as the ANC. But then few parties enjoy such an over-wbelming mandate from their electorate. If Mr Manuel does not use this asset in the months ahead to speed up the pace of economic reform, the rand may be in for a rough ride.

## Better teaching

Nothing exemplifies the fragmented and unprofessional state of Britain's teaching profession better than the annual Easter charade of the teachers' union conferences. By the low standard of previous years, the 1996 conferences have not been too bad so far. The government's schools inspectorate has come in for abuse, with calls for its abolition and threats of isolated industrial action. Delegates to the conference of the National Union of Teachers, the most militant union, yesterday defied their leadership and voted against a move to give rank-andfile teachers a more direct say

over union policy.

Both are retrograde steps, but nothing decided so far will inflict. serious disruption on schools themselves. However, the creation of a general teaching council - a single body representing the professional interests of all classroom teachers - cannot come too soon. Government and opposition alike now stress the need for improvements to Britain's educational performance. They are right, but constructive dialogue with teachers is not to be had through the current

union regime. That said, better teaching is not only a function of better teachers. The environment within which pupils learn is equally vital. Much of this is beyond the control of any government. But one important element - financial resources. for school infrastructure - is a direct state responsibility.

Mr David Blunkett, the shadow education secretary, addressed this issue in a thoughtful weekend speech. In effect, be called for a new version of the government's Private Finance Initiative to be applied to improvements in state school infrastructure. Schools would club together and sign contracts with the private sector for "planned maintenance programmes" to upgrade teaching facilities. In return for the capital and associated maintenance agreements, schools would make leasetype payments over the duration of the contract. Mr Blunkett talked of "hundreds of millions" of pounds being raised for school improvements in this way, and said the shadow Treasury team agreed that such spending would not "fall foul" of the public sector borrowing requirement.

There is a strong case for extra capital spending on state schools, a large proportion of which are in a poor physical condition. However, Mr Blunkett's outline plan has all the hallmarks of the PFI at its most dubious. The purpose of the PFI is to transfer real risk to the private sector in return for better service: it is not to act as an off balance sheet device for disguising government spending.

The provision of new schools might involve sufficient risk transfer to justify recourse to the PFL But returbishing existing buildings is unlikely to do so. Alas, school improvements are not to be had on the cheap.

#### **COMMENT & ANALYSIS**

## The storm on the horizon

Germany's pensions system may need radical reform as the workforce declines and the number of pensioners rises, says Andrew Fisher

threatened, Ger-mans already have plenty to worry about. But now they are beset by another nagging anxiety, how generous will their pensions be? At a time of weak economic growth, record unemployment and high tax and social security costs, the viability of the state system enabling people to retire in comfort is being

increasingly challenged.

The debate no longer concerns only the financial crunch to be faced in coming decades when more Germans ratire and fewer are in work. It has forced its way onto today's agenda because the govern-ment is striving to make immediate reductions in the state's burden on the economy.

In the political hot seat is Mr Nor-

bert Blum, the Christian Democrat. (CDU) labour minister, who has promised to defend the pension sys-tem "tooth and nail" – a pledge looking ever more difficult to fulfil.

The state of the economy and strains on the federal budget have given the issue a new urgency. Chancellor Helmnt Kohl and his cabinet will discuss how to cut the cost of the pension system later this month. The proposals are likely to include a higher retirement age for women, larger contributions for those spending long periods in higher education, and lower pensions for German-descended immigrants from eastern Europe.

The government has already had

ona attempt at cutting pension costs. In March, it thrashed out a solution to one of the most difficult problems: the steep cost of early retirement, Last year, nearly 300,000 people retired early under a scheme introduced in 1984 to help cut jobless figures. Big companies, which bear little of the cost, have made increasing use of it to shed labour. "Companies have laughed them-selves silly that they could do this so easily," says Mr Johann Rekhoff, a former economics ministry official and now economics professor at Cologne University. Last year's early retirees will cost the pension system DM38bn (£17bn) more over the next three years than if they left work at 63. In future, more of the cost will be shifted onto compa-

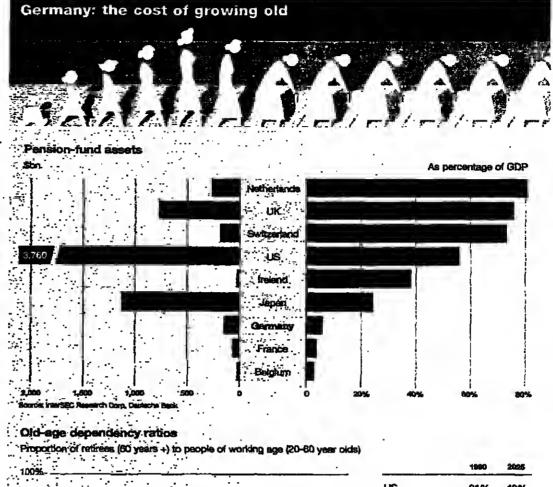
save the pension system DM17bn between 1998 and 2003. But without further action and revived economic growth, the state system - originated by Chancellor Bismarck in 1891 - will have a deficit of DM100n next year. This would mean a further rise in contributions from the present 19.2 per cent of an individual's gross income (of which employer and employee pay half each) to 20 per cent or more: in 1993.

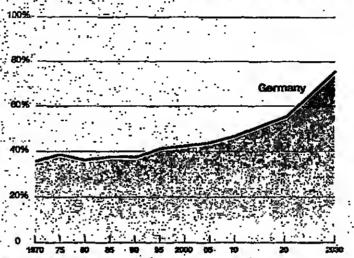
nies and individuals. This should

the rate was 17.5 per cent. The government is determined to avoid this. Mr Bittm has drawn up a package of savings, but is opposed to basic changes in the pay-as-yon-go system under which pensions are paid from current contributions and not from funds built up over previous years.

. Many experts do not believe, how-ever, that the pay-as-you-go system can survive without extensive reforms. The low birth rate means the number of workers paying contributions is dwindling fast, while the number of pensioners is increasing. As the post-war baby boomers retire, the situation will worsen. The most severe test will not

come until around 2030, when there will be about one worker for every pensioner. But policy initiatives must be enacted early since they can take years to have an impact. There are already about two work-





ers for every pensioner compared with three in the 1960s. Germany's management consultancy. old-age dependency ratio (the proportion of retired people to those of working age) is expected to rise from 35 per cent now to around 70 by making it less worthwhile to per cent by 2030.

"Since the rate of active participa-tion in the workforce is naturally far less than 100 per cent, every worker would have to finance more than one retiree, resulting in an Heino Fassbender, a director of the slow their rate of increase as higher

German operation of McKinsey, the The government has already taken some steps. Under a 1992 law, early retirement will be discou stop working before 65; this was to start biting after 2001, but Mr Blum's proposed reforms could advance this. Increases in the state pension are also now linked to rises in the net, rather than the gross, absurd social tax rate," says Mr income of an individual. This will

3196 :36% 36% Switzerland = 30%

28%

taxes and social security contributions eat into after-tax income. But the government is being forced to think harder. The Bundesbank has called the level of tax and social security contributions after German unification "a serious impediment to economic growth". The cost of closing the east German pensions gap with the west is a burden, though a diminishing one This year, state pensions will cost DM323bn, around 10 per cent of gross domestic product and a third

## A boost for capital markets

f private pension provision took off in Germany, the country's capital markets would benefit significantly. German companies have huge internal pension reserves: they amounted to DM270bn in 1994, equivalent to a third of the country's stock market capitalisation.

By setting aside these "book reserves" for retirement commitments, companies defer tax liabilities and have a ready-made source of finance. Mr Alexander Schrader, an economist at Dentsche Bank

Research, save: "If this money was put into the capital market, it would be used much more effi-ciently." Instead, the reserves, often held in bank deposits or other sbort-term assets, are generally used to finance companies' own

investments. The absence of these funds from the market - pension funds are far smaller in relation to the economy than in many other industrialised countries - "is a significant structural bindrance to the development of German financial

Even the most steadfast defenders of the state system admit more private provision is required. Nearly balf of German workers are in company schemes, paid out of book reserves or from special funds and insurance-linked schemes. which add 20 per cent or so to their

But because of the increased cost of pensions, many companies find their schemes are inadequate and make up the gap from ordinary

#### of the total social security budget. The main proposals for stream-

lining the pensions system are: Encouraging people to stay at work longer. "If people live up to 20 years longer than they used to, you can't say they shouldn't work longer," says Mr Eekhoff. Only 40 per cent of pensioners in west Germany stop work at the official retirement

Shortening the length of education so people start work earlier and contribute longer. Many well-educated Germans do not start work until nearly 30.

 Encouraging people to make more provision for their own pensions to supplement those from the state system. Proposals range from modest changes to a wholesale shift to funded schemes, as in the US and UK. State pensions are the mainstay of retirement provision in Germany, accounting for 80 per ceut of payments. But shifting to a fully-funded system could cost up to DM10,000bn. One generation would pay twice - for retirees' pensions and their own.

· Ooe way to encourage individuals to make their own savings for the future would be for the state to provide only a low basic pension, worth about 40 per cent of final net income. The present state pension is worth about 70 per cent and averages DM2,000 a month for a west German who has worked 45 years.

The latter notion, proposed by the Bonn-based think-tank Institut für Wirtschaft und Gesellschaft (IWG) with a 25-year transition period, is generally regarded as politically unacceptable. Yet most of the above proposals will bave to be implemented in some form if the pay-asyou-go system is not to founder.

"None of these ideas is enough on its own to get a grip on the prob-lem, but together they can provide a solution," says Mr Franz Ruland, director of the German association of pension insurers.

Without action now, pension con-tributions could rise alarmingly to nearly 30 per cent of gross income in 2030. (Without the 1992 law, they might have approached 40 per cent in that year). "If nothing is done, the system will come apart at the seams," says Mr Eugen Müller, head of the social security depart-ment at the employers' federation. "If people are not made aware early enough of the need to do more for themselves, they can lose out."

Some critics say Mr Blum has done employees a disservice by not drawing attention earlier to cracks in the system. According to Mi Fassbender, who favours much more private provision, "Mr Blum seems to think there's some kind of magic cake that can be baked to make everybody happy".

While there is no all-purpose solution, the size of the economic cake is crucial. As well as warning about pension costs, the Bundesbank and others have called for greater economic flexibility and deregulation to promote jobs and wealth.

With a dynamic economy, low unemployment and high immigra-tion, Prognos - the Swiss research institute commissioned by the association of pension insurers to assess contribution trends - reckoned in its optimistic scenario that, without further policy action, contributions would have to rise to 25.5 per cent by 2030. Its pessimistic scenario envisaged nearly 28 per cent.
Several experts think the optimis

tic scenario far too favourable. "It was based on fine weather conditions," says IWG's Ms Stefanie Wahl. For German pensioners, the outlook is stormy rather than mild, and they had better take cover now.

## OBSERVER

#### Please, no cash for me

Ever wondered what it is that really motivates investment bankers? For a start, it's not the bonuses, says Michel David-Welll, the spirit who moves between the three Lazard banks in New York, London and Paris.

Pardon? Coming from the orbane Lazard boss who has just cooked up a complex scheme for redistributing profits among his colleagues, that sounds a trifle, well, rich. The French banker says the scheme has been the subject of long, internal debate, but adds that there is more to debates over bonuses than meets the eye: "It's translated into money terms, but it's not really about money. -

So what is it all about? David-Weill says that American bankers care most about fairness; everything has to be shared fairly. Nothing pains them more than seeing the other guy get more than he's worth French bankers, on the other hand, are motivated byrespect. A healthy bonus shows a healthy level of respect from one's

And the British? In David-Weill's universe, they are driven by a search for happiness Come again? "The British want to feel good about who they are and where they work." he says. A bad bonus undermines

#### that sense of well-being. So now you know.

Dirty money

Here's a chance to make a complete yahoo of yourself. An Internet directory service going by the name Yahoo! this week hopes to raise as much as \$46m in a chare offer, underwritten by Goldman

Yahoo! is based - where else? in Surmyvale, California. The company provides something called a "search engine" which, in theory, allews Internet users to elude some of the enormous heaps of rubbish already clogging. cyberspace. Founded by two Stanford University graduate students - Jerry Yang, 27, and David Filo, 29 - the one-year-old Yahoo! plans to sell 10 per cent of its stock, 2.6m shares, at a price of perhaps \$18.

Welrd business, damn funny name. Are Yang and Filo laughing up their sleeves? We only ask out of curiosity, since the word yahoo comes from Jonathan Swift's novel Gulliver's Trasels. In the fourth section of the novel Gulliver travels to a land where he encounters a race of civilised horses, called Houyhninms. Gulliver also encounters a nasty, hairy, dirty, smelly race of casually-defecating brutes called Yahoos. Gulliver find the Houghnhoms so appealing that it

takes him a while to twig that the

Yahoos are, in fact, human beings. So what's the message? Money

#### Two mad cows ■ A couple of nightmare - sorry, "enormously challenging" - jobs currently available. For more than

£100,000 you can join ING Barings in Hong Kong - as head of information technology. Special expertise in setting up computer-based derivatives scams presumably not mandatory. If that's not your cup of tea, try

this. A "home economist" is wanted in Milton Keynes, salary up to £20,000. You will need a "proven track record in the creative preparation of food for photography and promotions, as well as the initiative and flair required to innovate and develop new products and recipes." Given the current panic however, Observer would want a Barings-type wad. The job is with British Meat, part of the Meat and Livestock Commission.

#### Educated guess ■ South Africa is cross about What

it regards as unfair US competition in a country where both have long meddled - Angola . Luanda'e government was long criticised by Washington for employing the South African

mercenary outfit Executive

Outcomes to fight the guerrilla force Unita. It finally buckled to pressure last year and sent them

#### Now there's a new US company - Military Professional Resources Incorporated - bidding to train and re-organise Angola's army. US officials claim the relationship will be "completely different": while Executive Outcomes killed rebels.

MPRI will largely be teaching

English. MPRI has former US generals on its staff, and was proposed by a consultancy firm run by Herman Cohen, former US assistant secretary for African affairs. The assumption in Luanda - and Pretoria - is that MPRI bas more on its mind than verb endings. "Now, pay attention class. Today we shall be learning how to spell 'central intelligence agency'"...

#### Dream machines

■ Who says BMW owners remain wedded for life to the "ultimate driving machine"? A survey by venture capitalists 3i asked 1,000 UK business owners what they drive; BMW came equal tops with Mercedes. But when asked what car they dream of driving. Mercedes moved effortlessly ahead Any satisfaction among the boys from Bavaria in finding that Rover. now part of BMW, emerges as the . third most widely driven executive car will be short-lived; it isn't even on the list of dream machines.

## Ginancial Times

#### 100 years ago Germany/Japan treaty By the signature of the new

Treaty of Commerce between Germany and Japan, the latter has scored the second great step in its advance to the position of a civilised trading Power - the first step being the Anglo-Japanese Treaty of 1894. Previously Japan has been regarded as a land apart, special Consular jurisdiction and so on being insisted on by the Western Powers: but now all that is waived, and not only so, but Japan is to be allowed to come under the "most-favourednation" clause in the matter of tariffs. In return, Japan opens her doors more hospitably to foreign settlers.

#### 50 years ago An air taxi?

An aircraft which can operate easily from confined spaces will doubtless have even more attraction in future than it has now. The Fairey Aviation Company is fortunate in having in hand, as Mr. R.T. Outen revealed at the annual meeting, the design and manufacture of a rotating wing aircraft, which is believed to have scope for both civil and military purposes. With its power of hovering, as well as moving in various directions, It may be an air taxi of the future

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## Korean theatre of war stages an unreal drama

The truce village of Panmunjom that lies astride the demilitarised zone between North and South Korea should currently be one of the tensest places in the world. Last week the North announ-

ced that it no longer respected the armistice that ended the 1950-53 Korean war and almost every night since Friday, large numbers of heavily armed North Korean troops bave entered Pan-munjom, in violation of the truce agreement. They have staged several bours of choreographed mili-tary exercises before disappearing back into the dark.

Yet this latest Korean crisis has an air of unreality to it. By day, busloads of foreign and Korean tourists still travel to Panmunjom to photograph the North Korean guards that normally patrol their side of armistice line. "It's business as usual," said one official of the US-led United

French bank's

longer hours

banks such as the large Crédit

Agricole. It is also a measure of

the pressure that Mr Jean Peyre-

levade, the Credit Lyonnais president, is putting on his staff to

agree desperately needed produc-

Crédit Lyonnais recorded only

a symbolic FFr13m (\$2.55m) net

profit last year after being rescued twice by the government in 1994-95. It is still banking at the

large asset sales it is supposed to

make as a condition of those

On a wider plane, the Crédit Lyomais accord will encourage the centre-right government and socialist opposition to pursne

reductions in working time in

The government once derided this as artificial "work sharing",

but now excludes no option in its desperate quest to lower the

country's 11.8 per cent johless

rate. Last week prime minister

Alain Juppé invited former

Socialist prime minister Michel Rocard for talks on the latter's ideas for reduced working time.

Crédit Lyonnais' partial accord

with the unions, reached on Fri-

day night, may create about 150

jobs. But this would not stop

overall employment at the hank shrinking for the next three years, Mr Peyrelevade said.

included more accurate seismic

images of oil fields, advances in

drilling techniques and a new

generation of robust sensors and

valves canable of operating per-

manently at the extreme depths,

pressures and temperatures of

These would have to be sup-

ported by sophisticated software

Continued from Page 1

modern oil wells.

order to create new job slots.

Continued from Page 1

tivity improvements.

bail-outs.

Nations Command. But that is tary majority, could win back not the impression being connot the impression being conveyed by the Seoul government. President Kim Young-sam has convened a national security council meeting for the first time since the tense 1994 nuclear dis-pute with North Korea. He

warned yesterday that South

Korea "would not tolerate it if

reckless acts of provocation by

North Korea continue".

South Korean military forces have also been placed on a heightened surveillance status for the first time in 15 years, although this has not been reflected in a corresponding increase in military readiness along the heavily fortified demilitarised zone.

Many political analysts believe Seoul's reactions are primarily aimed at a domestic audience ahead of a general election on Thursday. A resolute response by Mr Kim's government, which is

North Korea's actions are probahly also not what they at first appear to be. Instead of a prelude to war, they are being seen as a negotiating tactic to press the US to begin talks on signing a formal peace treaty ending the Korean war. Pyongyang hopes this will eventually lead to the withdrawal of the 37,000 US troops from

South Korea military officials describe the latest North Korean action as part of a psychological warfare campaign to gain concessions on a peace treaty, following recent statements by North Korean officials that war on the Korean peninsula is only a matter of

Nonetheless, concerns remain that North Korean measures could create the conditions for an accidental outbreak of fighting.

## part in elections to Ulster peace forum

and powerful computers. Schlum-berger has close links to intel, should enhance productivity, by

FT WEATHER GUIDE

By John Murray Brown in Dublin

Sinn Fein, the political wing of the Irish Republican Army, signalled yesterday that it might contest next month's elections to a peace forum, raising hopes that proposed all-party talks on the future of Northern Ireland will go ahead in June.

Mr Martin McGuinness, Sinn Fein's chief negotiator, said the organisation was likely to participate if the mainly nationalist Social Democratic and Labour

"We actually believe that the best way forward for the nationalist community is for the nationalist political representatives not to participate in the election or

"But the SDLP is a party in its own right, and if they decide to contest the elections, then I'm certain that Sinn Féin will do

the world's higgest maker of com-

puter chips, from which it receives regular batches of the

latest experimental devices. The company has also bucked indus-

try trends in recent years by

maintaining research and devel-

opment spending.

Mr Baird said the prospect of

permanently placing a wide

ments have said Sinn Féin cannot take part unless the IRA

restores its ceasefire. Mr McGuinness said his party was willing to play its part in helping to bring about a fresh Mr Jonathan Stevenson, the

SDLP chairman, said his party wanted to see the legislation on the elections before deciding wbether it would take part in "We will wait to see whether we can move immediately and

without further preconditions to all-party talks," he said, "If we can, then the chances are that we will take part in the elective process - reinctantly, because it is a bit of a dog's breakfast."

Meanwhile, Ulster's annual marching season got off to a violent start yesterday as loyalist demonstrators clashed with police in south Belfast. The province now faces a tense

period, culminating in the lovalist commemorations on July 12 marking the defeat of the catholic King James II hy forces loyal to King William, his protestant successor, at the Battle of the Boyne in 1690. New technology 'will boost oil production'

allowing oil companies to take

early action to prevent them

from drying up.
The key thing is to prevent

wells from dying. With permanent downhole sensors we will

know when it is starting to

develop the flu, when it is close

to getting bronchitis and when it

is about to die.

more or less decent wages".

But he also remembers with a shiver the dark days of 1989 when his wages were wiped out and people stormed supermarkets in search of food. "Stability does count for something," he admits. "At least it allows you to plan ahead a little."

## Trial clouds election, Page 4 Sinn Féin may take

the elected body," he said.

likewise," he told BBC radio. Mr McGuinness, who earlier said he would seek SDLP support for a boycott of the polls, insisted Sinn Féin had a right to take part in the talks whatever the IRA did. The British and Irish govern-

and George Parker in London

party decided to take part.

## **Argentines** wrestle with new misery of deflation

By David Pilling in Buenos Aires

recent bouts of hyperinflation. are coming to grips with a new source of misery – deflation. Retail prices dropped 0.6 per

cent in the first quarter of 1996, and the increase over the 12 months was a mere 0.2 per cent. The government announcement last week, which prompted media boasts that Argentina now had the world's lowest inflation rate, was almost apologetic in tone, in sharp contrast to the public joy shown when the country overcame bouts of hyperinfla-

tion in 1989 and 1991. "The reason for deflation is that no one has a bean to spend, no one takes a taxi, no one is bnying anything," sald Mr Ricardo Castro, a 56-year-old construction site manager who has not found a job in his field for 6%

years.
Deflation for Mr Castro is merely the flip sida of a recession that saw the economy contract by 4.4 per cent last year, bringing the jobless rate to nearly one in five. "Businesses are lowering prices because, if they don't, they'll go to the wall," he said. "That's how we see it, those who

are suffering this thing."

According to Mr Marcelo Zlotogwiazda, writing in Pagina/12 newspaper, the government is beginning to regard its much-vaunted price stability as some-thing of a liability, a "mirror of

Many economists disagree. Argentina'a rigid monetary system, in which devaluation is prohibited by law, needs to squeeze wages and prices in order to make exports internationally competitive, they argue.

Mr Domingo Cavallo, economy minister, concedes deflation could delay recovery - because people might be encouraged to postpone purchases - but argues it also reflects greater price competition and consumer choice in a newly deregulated economy.

"Somebody who wants to buy a car now has many choices," said Mr Cavallo, explaining the 30 per cent drop in car sales last year. "So he shops around and looks for the best-quality car and the lowest price. It takes longer to decide, because in any case his money is not being destroyed by inflation. In the past, he pur-chased any car at any price as soon as he had the cash."

Mr Wilbert Surco, whose family owns a corner shop in the Buenos Aires district of San Telmo, argues he was better off in the days of fast rising prices when "at least people earned

### THE LEX COLUMN Telecom tangles

Why is the global telecoms industry swept up in a frenzy of deal-making? The single most important reason is the disintegration of the international operators have normally kept rigidly to their monopoly territories. With an international call, one operator carries it half-way - sometimes to the middle of an ocean - where another picks it up. The complex financial arrange-ments used to divvy up the revenue makes international traffic the most profitable part of the industry.

But, as markets are opened to com-petition, the more aggressive opera-tors are sorely tempted to invade each other's patches. Where possible, they want to handle both ends of the call. The most far-sighted know competition will slash call prices; but they may still make good money if they can benefit from the industry's vast economies of scale. Hence, the urge to create supercarriers. If BT merges with Cable & Wireless, it will carry around 4.5bn minutes of international traffic a year. Add in BT's US ally MCI and the total rises to 8bn - the same as AT&T, the world leader. The same logic applies to last week's \$50bn merger between SBC and Pacific Telesis; half of all US calls to Mexico originate in the two Baby Bells' territories.

The merger boom is likely to accel-

erate. First, because liberalisation is gathering pace. Second, because dealmaking creates a momentum of its own. Other Baby Bells will feel the pressure to mimic SBC/PacTel. And if BT merges with C&W, there could be a domino effect - not least because Mer-cury, C&W's UK arm, will come up for

#### US equities

For the second month in a row, the US non-farm payroll figures have knocked the stuffing ont of world equity markets and brought out the usual band of soothsayers predicting the end of the bull market. But such predictions look premature. Tha resurgance of the US economy has been reflected in a near 100 basis point increase in 30-year benchmark bond yields during 1996. Hopes of another interest rate cut have evaporated, and this is written into share prices. But while economic activity has been stronger than pundits had been expecting in early January, it is not that strong; and a rate rise remains a distant prospect.

The US equity market has been going through a process of adjustment throughout the year. Defensive, or yield sensitive, stocks such as utilities and insurance companies have weak-



ened, but the slack has been taken up by the cyclical sectors, where earnings growth prospects are improving. This trend should continue.

In 1994, US equities withstood a 200 basis point rise in long bond yields, and the bull run should be able to survive further weakening in honds. After all, the differential between bond and equity yields remains com-fortably at the low end of the historic range. While markets will clearly be sensitive to any signs of inflation, equities are underpinned by two pbe-nomena: the weight of mutual fund cash looking for an investment home and growing corporate cash flows. The corporata sector will continue to plough cash into share buy-hacks and mergers and acquisitions. And as the pace of M&A activity continnes, equities should regain some of their lustre.

#### German demergers

Hoechst has admitted that doing the splits would make sense. Bayer has decided against it. Meanwhile, at Thyssen, the new supervisory board chairman shocked his chief executive last week hy publicly suggesting a three-way separation of the steel, engineering and trading group. None of these companies has fully embraced the idea of a demerger, but at least they are thinking about it. In a country where diversified holding companies dominate the corporate landscape this is a big step forward. On top of the introduction of executive share options at Daimler-Benz and Deutsche Bank, it shows the concept of shareholder value gaining ground.

A demerger may not be appropriate in every case. But where there is a hidden jewel to unlock, it can create considerable value. Thyssen and Mannesmann, which both own embryonic hut rapidly growing telecoms operations, are potential examples of this. The computer service operations

of Daimler-Benz's Debis unit may be another. Separating businesses brings greater focus and makes joint ventures easier. It forces management to work harder by removing the veil of membership of a larger group. Share-holders also benefit if one of the demerged divisions attracts bid specu-

Tax problems, often raised as an objection, do not appear insurmount able. And investors should give short shrift to the argument that diversification reduces risks and smootnes earnings. At Thyssen, losses on the steel side between 1992 and 1994 swamped profits elsewhere. Investors can balance risks more easily and cheaply on the stock market than company man agements can on the ground.

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#### Spirits

The spirits sector has underper-formed the UK market by 45 per cent over the past four years, as liquor prices were slashed in the face of dwindling demand. But after numerous false dawns, the tide is turning This year, the bulk of the largest spirits producers have started reining in discounts and pushing list prices upwards. Of course, Remy Cointreau increased cognac prices sharply in China last year, only to see sales slump. And discounting against listed prices remains a core part of the sectors' so-called "promotional expenditure". Nonetheless, now that the high names are all having a go, price increases look set to stick.

The knock-on effects could be dra-matic. For Guinness, the impact of a 3 per cent price increase is more than £40m of operating profits, and Grand Metropolitan would do better still, Furthermore, a continuing process of restructuring and cost cutting is fund-ing increased expenditure on advertising, in turn helping to promote some increase in sales volumes. This is happening while the sector has sunk to a

discount rating against the market. The background of stagnant demand in developed markets - reflecting health concerns more than economics - argues against a return to the beady ratings of the early 1990s. And it will be some time before improving market. conditions feed through to profit None the less, the stocks look cheap. Guinness offers the best value, due to its emerging markets exposure. And Allied Domecq looks the most expensive. Its shares have been helped by the approaching sale of Carlsberg-Tetley. But incoming chairman Sir Christopher Hogg has much more to do before he can transform the sector's ugly duckling.

#### OVER £50M WORTH OF INDUSTRIAL ORDERS

Rolls-Royce companies have won substantial orders for electrical and marine equipment.

In Dubai, Reyrolle, part of the Industrial Power Group, is extending three substations by providing 400kV gas-insulated electrical switchgear in business worth £40m. Work on the contracts has already started and will be completed in a year's time to allow the Dubai Electricity and Water Authority to meet peak electricity demands in 1997.

Rolls-Royce Industrial & Marine Gas Turbines also secured a new order worth £11m for four Spey SMIC engines to power two new air defence/command frigates for the Royal Netherlands Navy.

Delivery of the engines will start in 1998. The Royal Netherlands Navy has used Rolls-Royce marine gas turbines in every class of major warship since 1975.

#### TRENT POWER RECORD

The industrial Trent has set a world record for power from an aero-derivative gas turbine. The engine, which is designed to be rated at 50MW in production units, reached more than 55MW during testing.

The industrial Trent is a derivative of the Rolls-Royce Trent 800, the world'e most powerful aero engine, with a certificated thrust of 90,000lb.





Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT

#### **Europe today**

Most of Europe will have frequent sunny periods with warm spring temperatures. Southern France, Spain and Portugal will hava fine spring conditions with temperatures between 20C and 25C. A zone of cloud from Germany to the French

Alps will mark the boundary between mild spring conditions centered on Poland and cooler air near tha Benelux and Britain. This zone will have occasional rain and thundery During the afternoon cloud will increase over

Ireland. Elsewhere in the British Isles there will A low over the Black Sea will direct cool air into south-eastern Europe bringing showers and temperatures ranging from 10C in northern Turkey to 19C in southern areas.

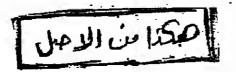
**Five-day forecast** A persistent high over Scandinavia will bring dry

conditions to most of Europe. Western and central areas will be spring-like with temperatures between 12C and 17C. Western France and tha British Isles will become unsettled. Spain and Portugal will also have some rain and thundery showers in the latter half of the week.

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**INSIDE** 

Chrysler

The US carmaker has

systems businesses to

Raytheon for \$475m,

a truce with Mr Kirk

February. Page 21

agreed to sell its defence

marking what is likely to be

the largest of the disposals

it promised when reaching

Kerkorian, the company's

higgest shareholder, in

Tuesday April 9 1996

## List of potential suitors for Mercury lengthens

By Alan Cane in London

The list of potential buyers for Mercury Communications, chief domestic rival to British Telecommunications, is lengthening as negotiations which could lead to a merger between BT and Cable and Wireless

Many of the world'a larger telecoms operators, as well as a number of independent consor-tia which are seeking finance

**№ Komatsu** 

to spend

Y20bn on

buy-back

By William Dawkins in Tokyo

largest producer of construc-

tion equipment, yesterday

became the latest in a queue of

cash-rich Japanese companies

The group said it would

spend up to Y20bn (\$189m) on

buying and then liquidating

its own shares, representing

about 2 per cent of the total at

the current price, after seek-

ing sbarebolders' approval at

The move, popular in the UK

and US but until recently pro-

hibitively expensive in Japan,

is intended to support the

share price hy reducing the

number of shares available.

Komatsu wants to lift its

return on equity, targeted at

2.6 per cent in the fiscal year

just ended, to 8 per cent in

This comes less than a week

after Toyota, Japan's top car producer, announced plans to

It was the country's largest

buy-back and was seen as set-

Buy-backs are welcomed in

Tokyo hecause they help to

reduce the oversupply of

Bny backs were, however,

unpopular in Japan until last

year, when the finance minis-

try suspended its disapproval

of them and shelved a share-

bolder tax which had been put

Previously, shareholders

who elected not to sell their

stocks back to the company

were taxed on the increase in

their investment's value

deemed to have occurred after

been frozen until March 1999. Companies have been eager

to take advantage of this new freedom, partly because they are better able to afford it Corporate cash flow is posi-

of cash which they are unwill-

ing to invest with the domestic

Komatsu reported Y115bn of

cash at the end of September

last year. That has probably

the group is expected to make

a profit, before tax and

extraordinary items, of Y18bn in the year to end-March, up

Japan's record low interest

rates have been another incen-

tive for Japanese companies to

from Y16.68bn.

grown since then, given that

market growing modestly.

in place as a disincentive.

created during the 1980s.

buy up to Y100bn of its shares.

ting the fashion.

the annual meeting in June.

to bny back its own shares. .

included.

Stet, the Italian state-owned telecoms group, and Deutsche Telekom are independently considering Mercury as a base for their ambitions in the UK. At least two separate consortia, one comprising a number of US and European investment companies and the other a group of senior telecoms

Both consortia are believed to see Mercury as the centrepiece of an alliance with the UK'a cable operators which could mount an effective challenge to BT.

Cable and Wireless holds an 80 per cent stake in Mercury. the ramaining 20 per cent being held by BCE, the Canadian talacommunications

BT and C&W would be the disposal of Mercury and Mercury One-2-One, the mobile phone company in which C & W and US West bold equal Deotsche Telekom, the larg-

The prize for the buyer would be a bridgehead in the UK's fast evolving business

heavily committed to its own reorganisation and to protecting the liberalisation of the US telecoms market.

est European telecoms operator, is BT's preferred choice and has discussed the prospect in informal talks with BT.

C & W were prevented from huying further shares in each other's business for five years. Meanwhile, Mr Peter Howell-Davies, Mercury's managing director, has announced a new management structure including the appointment of two top managers from Bell Canada. He said last week after two

Mercury was that BCE and He pointed out, however, that although the industry reg-Mercury emerged as a result of a BT/C & W merger, the uncertainty was not helping relations with prospective customers. In November, Mercury published interim results

ulator would insist that a stronger, more competitive showing operating profits of

executive, resigned under pres-

Morris, the tobacco and food

group, redeemed its poison pill

under pressure from sharehold-

ers led by the Teamsters peo-sion fund, which has also per-

suaded other companies to

redeem pills.
The Council of Institutional

Investors says that 45 per cent

of propositions filed this year

by its members - who have

\$900bn in assets in aggregate -

have dealt with poison pills. Meanwhile, the Investor Responsibility Research Ceo-

tre, another corporate gover-

nance group, reports that its

annnal survey of investors

shows a high level of opposi-

Eveo so, investment bankers

continue to advise companies

to renew existing pills or adopt

one if they do not have one in

in cases where investors fear

tion to poisoo pills.

in March last year, Phillp

sure from shareholders.

Signet



H. Samuel and Ernest Jones. It has also been confirmed that Argos, the catalogue retailer, is among the hidders, which are thought to number seven Mr James McAdam (above), chairman, has said be would only sell "if the price was right". Signet is thought to be seeking about £300m (\$456m), Page 20

#### Fund Management

Corporate governance is becoming an issue of pressing coocern in the Netherlands as pensioo funds redefine their role as shareholders in the country's companies. is not clear that either shareholders or companies are prepared to adopt the muscular approach to corporate governance which has characterised US investors. Page 23

#### Faces

Mr Tony Houghton, partner at Deloitte & Touche, the UK accountancy firm, is packing his bags for Riga for **one o**f this year' exotic liquidation assignments - Latvia's Bank Baltija. Mr Houghton and his colleague Mr David Berrey, director of Deloitte's Latvian practice, were appointed liquidators of Baltija last week by the Riga regional court. Until its collapse last year, Baitija was the biggest bank in the Baltic republics. It is reputed to owe more than \$400m. Page 23

#### telecoms market. AT&T is an The position of BCE, Mercugroup which owns Bell Candays of discussions with man-agers and sales staff that obvious candidate but it has ry'a minority shareholder, is executives, are also planning bids. refused one offer on price unclear. A condition of nur-An inevitable regulatory congrounds. It is furthermore, chase of its 20 per cent stake in

## Shareholder rights plans are under scrutiny as corporate America searches for an antidote US grows sick of its anti-takeover device

rate America directors are asking themselves a burn-ing question. "Should we w our poison pill?" Komatsu, the world's second

If they do, they risk antagon-ising shareholders who are taking up the issne once mora after their interest waned in the first half of the 1990s. But if they do not, they may be opening their companies to a hostile takeover in an increasingly active merger market.

The decision on March 28 by Chrysler to revise its poison pill so that it would not be triggered if the group received a fully-financed, all-cash hid, deemed to be at a fair price by an investment bank, may become the middle road directors can follow. The Chrysler moves echo those made by some other companies.

The shareholder rights plan, as the anti-takeover device is officially called, was invented by Mr Martin Lipton, a top takeover lawyer, in the mid-

After a couple of dozen com-panies adopted them in 1985, a flood followed in 1986 as the number of hostile hids surged in the mid-to-late 1980s and companies sought ways to protect themselves. Now twothirds of the companies in the Standard & Poor's 500 index

have rights plans. year life, many ara due to expire this year. According to figures from Securities Data Company, there are hundreds of companies with poison pills up for renewal this year or

Already more than 100 companies have either renewed existing pills or adopted new ones this year.

Yet, although the shareholder rights tag implies pills are good for investors in a tar-

n boardrooms across corpotional shareholders are ones tioning the merits of poisoo

> The poison pill has changed little over the years. They are cheap and simple to put in place - it is a matter of lawyers and corporate financiers customising an off-the-shelf legal document - and a board can adopt one without sharebolder approval.

Pills work to an acquiring company's disadvantage usoally by allowing investors in a target company to buy more shares in it at a large discount, often 50 per cent, or to buy shares in the bidding company, again at a sizeable discount. Either makes a takeover bid prohibitively expensive.

A pill would generally he triggered if one shareholder's stake rises above a certain percentage, often 20 per cent, but increasingly a lower percent-

The pill is such an effective deterrent that: "I do not helieve one has ever been triggered," says Mr Frederic Escherich, managing director in J.P. Morgan's mergers and acquisitions groop.

Mr Escherich says he cannot recall an instance when a properly financed hid has heeo defeated solely because of a poison pill.

When a takeover does come, negotiate with the board of the target company, since only the hoard of a company can remove a pill. It gives the target company a chance to gather its defences before a hidder has built a stake larger

than the trigger percentage:
Mr Escherich has examined
245 takeovers of more than \$500m completed in the US between 1968 and 1995. "This analysis sbows that the median takeover premium at firms that have a poison pill in

What's your poison? Number of poison pills adopted

lace is nearly 16 per cent higher than for companies that do not have one."

That would suggest sharepoison pills. Yet many are against, and the issue is being raised hy a number of institutional investors.

Their concern was sbown recently when investors in Baker Hughes, an oil, gas and mining services company, voted overwhelmingly to ask the board to redeem or put to a vote its shareholder rights plan. Corporate governance experts believe that Fidelity, the large mutual fund group, was a leading Baker Hughes shareholder to vote against the company's management on the

Shareholders' opposition adoption of a pill depresses a company's share price, makes a takeover less likely and allows poor management to become entrenched. They particularly dislike the 10-year life of most pills, and suggest they

should be shortened. Some investors suggest that Hasbro's poison pill helped it fend off a bid from Mattel, in the battle of the toy companies earlier this year. The Council of Institutional

companies to seek sharebolder approval for a rights plan. Last year, the council wrete to a pills were due for renewal, asking what they planned to do. Most companies responded hy saying they intended to renew the pills. However, shareholder activ-

nance activist group, calls for

ism has persuaded some companies to drop their rights Kmart, the troubled retail

group, redeemed its poison pill in April last year. Earlier, it had hrought forward its end from 1998 to 1995 shortly after Mr Joseph Antonini, chief

the pill is a device to eotrench existing management, companies are often advised to add features to calm their fears, such as the Chrysler qualifica-tion. If even that would be too much for shareholders, directors can at least prepare a shareholder rights plan so It can be put in place rapidly if a hostile hidder appears. Mr Escherich draws a paral-

hetween the r debate and that over gun con-

In the right hands, he says, poison pill is safe. Shareholders who fear their company's directors are unsafe with a poison pill generally have more pressing gripes with their boards such as composition, compensation and poor perfor mance. In such cases, sharebolders bave more to argue about than a poison pill.

Maggie Urry

#### Investors, a corporate goverget company, many institu-Volvo confirms US commitment

tive, and many, including Romatsu, are sitting on piles

> Volvo, the Swedish cars and trucks group, remains commited to its \$500m (£329m) US investment programme in spite of a 36 per cent drop in North American truck sales in the first quarter.

Mr Karl-Erling Trogen, president of Volvo's truck division, said it would continue its US spending "to create an overall

healthy profits base". Like Mercedes-Benz and Renault, the two other European truckmakers in the US, Volvo has suffered from poor profitability since acquiring production capacity in the US.

The investment would be

buy their own shares. With the official discount rate at a low of 0.5 per cent, many companies are in the unusual position of paying more to share-holders in dividend yields than used to develop new products and restructure the group's they pay the bank in deht North Carolina plant, he said. interest. This is a clear incen-The main aim was to share tive to exchange equity for more common parts hetween

pean and Sooth American truck ranges

The steep decline in Volvo's North American sales this year has exceeded even the most pessimistic recent forecasts, which have predicted falls of between 25 and 30 per cent in the Class 8 market for trucks over 15 tonnes as demand falters after the market reached a peak in 1995.

Mr Trogen sald anch short-term economic cycles would not deter Volvo from investing heavily until the turn of the century to expand its international coverage. The group is spending \$150m to raise output and build a cab facility in Brazil. Another \$80m is earmarked for a joint venture to build up to 4,000 trucks a year in India.

Mr Trogen said Volvo was now selecting a short list of



Karl-Erling Trogen: wants a healthy profits base in US

possible sites in India. He said the formal investment decision

would be taken shortly.

Meanwhile in China, the company is planning to build up to 12,000 trucks a year with a local partner. Mr Trogen said the project description had been approved by the Chinese authorities, and Volvo was now working on a detailed feasibility study. The Indian and Chinese ven-

Volvo in the hnoyant Asian market. "It is my mission to establish

a regional base in Asia," Mr Trogen said. In Europe, by contrast, the

group's focus will be on introd-ucing a small, 7.5-tonne truck this year. Mr Trogen confirmed

revealed this year.

The lighter truck has been eagerly awaited hy dealers, which say they need a range of vehicles from 7.5 tonnes for their hig customers with mixed

However, Volvo'a previous attempt to break away from its heavy vehicles with a lighter product was poorly received.

# tures will form a new axis for

20

20

23

23

20

23 20

## Digital phone usage surges

By Paul Taylor in London

A sharp decline in the price of digital cellular mobile phones and improvements in coverage helped lift the number of cellular suhscribers in western Europe by more than 60 per cent to almost 23m at the end

According to Dataquest, the market research firm, the number of cellular subscribers in western Europe increased by 8.51m to 22.6m last year repregenting a penetration rate of 6

Mr Adam Zolden, author of the Dataquest report, notes the number of new subscribers was equivalent to 2.3 per cent of the population maintaining cellular telephony a position as one of the fastest growing segments of the information technology industry.

year that saw more additions to digital networks than to the older style analogue networks. Sixty-six per cent or 5.5m of the new subscribers were to digital networks based on the

GSM (Global System for Mobiles) or DCS-1800 standards. Given that 43 per cent of all European subscribers now use a digital network, this year is expected to be the first year when there are more digital than analogue subscribers. The Dataquest numbers

underline the speed of the switch from analogue systems to digital networks. Analogue additions fell from 800,000 in the first quarter to less than 600,000 in the fourth quarter. while digital additions reached 21m in the final quarter, from 860,000 in the first.

Last year was also the first Sweden remained the four largest markets and accounted for almost two-thirds of both the European subscriber base and new subscribers. Norway, Sweden and Finland all topped 20 per cent penetration, with Norway reaching 25 per cent after a price war.

Among the digital networks those in Germany, France and Sweden added the most subscribers with Germany topping the list with over 1.1m additions. Following the licensing of operators in Belgium, Austria and Ireland, all the main European countries now have at least two licensed or commercial GSM operators.

Telephone handset shipments rose 51 per cent last year with Motorola of the US, Nokia of Finland and Ericsson of Sweden continuing to The UK, Italy, Germany and account for two-thirds of these.

COMPANIES IN THIS ISSUE AMP Huntsman Airbus Indust IBM Airtouch 21 isetan Alpha Airports 24 Kawasaki Kirch-Gruppe Komerční Banka Lontto Marcoppe BET Matsushita Ranesto Morgan (JP) Bank Baltila Morgan Stanley Nurdin & Peac Placer Dome **CINVen** Cellular Comm PowerGen Rentokil Chrysler Codelco Crédit Lyonnais Scottish Widows 24 Shui On Signet Smurfit (Jefferson) Fortis Suez Torrent Goldman Sachs Veba Goldsmiths Venture Cap Reports

Yule Catto

## Schroders Leadership in Cross-Border Financing This announcement appears as a matter of record only **FKI** plc \$205,000,000 FKI Industries Inc. Guaranteed Senior Notes Due 2003 Guaranteed Senior Notes Due 2006 Guaranteed Senior Notes Due 2011 Guaranteed Senior Notes Due 2016 Private placement of these securities with institutional investors has been arranged through the undersigned. Schroder Wertheim & Co.

CINVen, the venture capitalist. has emerged as a hidder for Signet's UK jewellery chains. The company is thought to he acting on its own account, with Mr Graham Keniston-Cooper, a director, leading its hid for the H Samuel and Ernest Jones chains. CINVen has refused to

It has also been confirmed that Argos, the catalogue retailer, is among the hidders, which are thought to number

Signet has offered its UK arm for sale under pressure from rehel preference share-holders owed £100m in unpaid dividends. The group has debts of £350m.

Early this week Signet will tell the interested parties which of them have been shortlisted. It is possible that no hid will meet the asking price, thought to he about £300m. Mr James McAdam, Signet chairman, has repeatedly said he would only sell "if the price was right". One potential hidder is said to have heen stunned at the amount of money heing demanded.

Goldsmiths, the jeweller, has said it would prefer to take only the Ernest Jones chain. It himself out of the hidding.

## on raising BET bid

with another hidder, expected Rentokil, the industrial to be Argos, wherehy it would services group, said yesterday that it had not made a decision would take H Samuel. Goldabout whether to raise its hostile takeover £1.9bn hld for ture capital backers, including Apax Partners and Schroder The group was responding to

eports over the weekend that it was prepared to lift its 204%p cash and paper offer by a further 10p. Rentokil bas until Friday to

decide whether to raise the offer, declare the existing one final or let it lapse. It is not expected to make its final decislon until then.

Mr Clive Thompson, Rentokil's chief executive, begins round of presentations to BET institutional shareholders today and the decision about the offer will depend in part nn lhe reception he BET's chief executive, Mr

John Clark, will also be meeting institutions this week to state the group's case for remaining independent. Rentokil is offering nine new shares and £8 in cash for every 20 BET shares.

At close of trading on Thursday, BET shares were up 1½p at 207p and Rentokil

entrepreneur who has quickly built Facia into one of the UK's shares were 6%p higher at

## CINVen to bid Rentokil | Investors fear there's only one Man United a

undecided Football shares have a new popularity. Patrick Harverson and Simon Kuper report

Only a few years ago, the tiny handful of listed clubs tended to be regarded in the City as high-risk investments, best left to diehard fans with more money than sense. The professional investors stayed well away. Mr Nigel Hicks, leisure ana-

lyst at Panmure Gordon, says: Fund managers didn't want to hold the stocks because trustees would ask. 'What the bell are you doing holding a foot-

Today those same investors seemingly cannot get enough of football club shares. Last week three directors of

Manchester United sold 2.7m shares, and such was the pent-up demand from institutions for the club's stock that the sales were completed without lowering the share price from its all-time high of 292p. A few days later, the small but growing band of football

clubs on the stock market wel-comed a new addition in Chelsea Village, the company which owns Chelsea foothall club. in the first two and a half days of trading more than 6m of the 9m shares available were snapped up as demand pushed up the price from the introductory 55p to 60p. A few days before Chelsea's

debut, shareholders in West Bromwich Alblon had voted to float the Midlands club and increase the number of football clubs quoted on the stock mar-

That list will almost certainly lengthen in the coming years. Several of the sport's biggest names, such as Arsenal, Everton, Liverpool and Leeds United, may well go public soon, When Leeds looked into a flotation last

pring is in the air and the summer it was told by its stock market's romance with football is blooming. was probably room for three or four more big clubs on the stock market.

Mr John Sedgwick, Tottenham Hotspur's finance director. says: "Football clubs will become a sub-sector on the stock market within five years." Several clubs' shares are already available on a limited basis via Ofex, the service which matches buyers and sellers in shares of companies not quoted on the established stock market

Such has been the interest in the sector that shares in the three clubs on Ofex have risen sharply. Between mid-Fehruary and mid-March, Arsenal rose 14 per cent, Manchester City 19 per cent (despite the club's poor performance on the fieldi and Rangers, of the Scottish Premier league, jumped 25

per cent.
Although most shares on
Ofex are held by only a few investors and are thus susceptible to volatility, the recent gains seem part of a broader

Celtic, quoted on the Alter-native Investment Market, saw its shares jump 38 per cent in the same period while even the shares of lowly Preston North End rose 7.5 per cent in March. The higgest quoted clubs, Manchester United and Tottenham, have also enjoyed exceptional gains since the start of the year. Only Millwall, the struggling first division club, has failed to cash in.

Behind the surge in demand has been a shift in investor attitudes to the sport. Football can now he described as a high-growth leisure sector. At least it can at the top of the game, where the hig Premier ship clubs congregate. Huge sums of money from

the sale of television rights. grants for stadium redevelopment and greatly increased revenues from merchandising and other commercial activities have belped football re-in-

Mr Hicks points to the quality of the new earnings. "A very large proportion of Man U's revenues - shoe contracts, TV deals and so on - are guaranteed years in advance." Few retailers can say the same. Mr Sedgwick says: "We're

not so retiant on gate receipts now, or even on the performance of the football team." Life inside the grounds has changed too. Violent crowds standing on crumbling terraces in tatty grounds have been replaced by well-behaved, more prosperous spectators sitting

in modern stadiums. In the past, said Mr Paul Wedge of Collins Stewart, house brokers to Tottenham, "it took you half an hour to go for a pee and all you could get to eat was an old sausage roll." Now many clubs

Market is his goal: Andy Hunt, right, of West Bromwich takes on Sheffield United's Roger Nielson

offer banqueting facilities And sportswear manufacturers, corporate advertisers and television broadcasters have created a new, glossy image for the game huilt around glamorous foreign and home-grown stars. It has become fashionable to like football,

Institutional investors are finally waking up to these changes, and want a piece of the increasingly lucrative action. Even the notoriously conservative Scottish investment community is taking an interest. This week a group of

senior Manchester United executives travelled to Scotland to promote the club to local institutions and received a warm welcome.

agal, vicesio

Gold -

But the boom could end. The risk always is that a club gets a listing and doesn't perform because it doesn't succeed with its transfer policy." says Mr Sedgwick. Also, players' salaries are rising fast. Mr Wedge says only about a

dozen British clubs are large enough to impress the stock market. "I don't think Tranmere Rovers, say, would be a very attractive investment. Mr Hicks adds: "There's only one Man United."

How times have changed since its flotation in 1991 when less half the shares on offer

## VCR's US buyer plans growth

hopes to form a consortium

take Ernest Jones and Argos

smiths is known to have ven-

However, analysts have questioned the wisdom of split-ting the two chains. They say

Signet achieves savings from

sharing some of the chains'

for Goldsmiths, take the com-

pany private, and then refloat it after about two years. Gold-

smiths' market value is £66m. Mr Jurek Piasecki, Gold-smiths chairman, chief execu-

tive and largest shareholder,

has a long relationship with

Mr Jon Moulton, the Apax director backing his bid for

Signet. in 1988. when Mr Moul-

ton was a Schroder Ventures

director, he backed Mr Piaseck-

i's £30m management huy-out of Goldsmiths from Oriflame,

the Swedish cosmetics group

Mr Stephen Hinchliffe. the

Goldsmiths refloated in 1990.

warehouses and brands. There is speculation that Apax would buy both chains

Venture Capital Reports, the UK's leading husiness angel introduction agency, has been bought by Mr David Amis, a US entrepreneur, who plans to expand the operations overseas.

VCR publishes newsletters and organises semlnars to help raise money from private investors, called husiness angels, for companies which are too small to apply for traditional

Although VCR is a small husiness - over the past 18 years, it has raised about £16m for 184 companies - it has been very influential. Mr Amis describes VCR as "the most profitable and successful company of its kind in the world" and adds: "The UK is hy far the most advanced country in their approach to this type of husi-

SHARE WATCH

WEEKEND



#### **■** Lonrho

Lonrho was unavailable for comment on a story in the Sunday Times that Anglo American wants to secure an option over the 18.5 per cent stake held by Mr Dieter Bock, Lourho's chief executive. The Financial Times reported three weeks ago that Mr Bock group first right of refusal on his holding should he sell. Anglo has said it has no plans to hid for Lonrho as a whole.

#### **■** Greycoat

Greycoat, the property group, has pulled out of the £165m sale of its higgest asset to a Deutsche Bank investment fund, the Observer reports. The huildings, at 123/151 Buckingham Palace Road, account for 40 per cent of the company's portfolio. There was no comment from the approach" for the properties was first reported last month.

#### Amec

Amec, the construction group, is expected to announce the £170m sale of Fairclough, lts reports full-year figures on Thursday, according to The Mail on Sunday. News of restructuring has been

expected for some time but the company was unavailable for comment on speculation that Beazer Homes, Redrow, Wilson (Connolly) or Taylor Woodrow would be the huyer Sir Alan Cockshaw, the chairman, said last year that sustained recovery in the private housing market was unlikely while consumer

confidence remained fragile,

#### **Eurotunnel**

Refinancing talks between Eurotunnel and its 225 banks are unlikely to be completed before the autumn, according to a report in The Sunday Times. Negotiations over Eurotunnel's £8bn debts l missed the company's initial March deadline and bankers have said there was little sign of breaking the deadlock.

## PowerGen in Indian power station deal

By Roger Taylor

PowerGen, the UK's second largest electricity generator, is part of a consortium which has won a contract to huild and operate a £460m power station In the Indian state of Gujurat.

PowerGen is investing about £30m giving it a 20 per cent stake in the project. The other members of the consortium are Siemens, the German engineering group which will huild the station, and two Indian companies, Torrent Group and the Gujurat Power Corporation. The deal is hacked hy an

agreement from the state of Gujurat to buy electricity from the new station for 20 years. This is the first large Indian Western companies since the

electricity project agreed with \$2bn (£1.3hn) Dahhol project ran into difficulties. Confidence was damaged last year

when the state government of Maharashtra cancelled a contract with US group Enron to huild a \$2bn power plant at Dabhol. The contract has now been renegotiated.

The rapid expansion of India's electricity industry offers an opportunity to international power companies. The Indian government has plans to improve electricity supplies and has set a target of Increasing generating capacity by 50 per cent over the next 10 years.

The Gojurat project is PowerGen's first venture in India. However, it is also in negotiations for the development of two further power stations and has a joint venture with AV Birla group. India's second largest husiness

The deal will help PowerGen increase its overseas earnings at a time when competition at home is increasing.

## BAe finance director to become Amersham chairman

#### By Bernard Gray,

Mr Richard Lapthorne, finance director of British Aerospace, will take over as non-executive chairman of Amersham International, the medical diagnostics company, after Amersham's annual meeting this summer. However, the move does not herald Mr Lapthorne's departure from BAe, or any

shake-up of the BAe board. Evans, the current chief execu-Mr Lapthorne has made it clear to institutional investors and the BAe hoard that he does not regard his job with the group as finished.

Equally, he has been keen to and has served on the Amersham board for several years. As a result, he will take over from the current chairman, Sir Edwin Nixon, when he retires

With BAe's worst financial problems largely sorted out, Mr Lapthorne has stepped away from some of the day-to-day financial management and is now sharing that work with his deputy, Mr George Rose. Despite that, Mr Lapthorne has always maintained that he has no ambi-tions to become chief executive in succession to Mr Dick

In any event, such an issue is unlikely to arise for at least two years as Mr Bob Bauman, the chairman, may well extend his contract beyond April 1997, also implies that Mr Evans's role is unlikely to change. The BAe hoard is thought to feel that the current combination of Mr Bauman, Mr Evans and

Mr Lapthorne works well, and is keen to avoid further disturbance after the turbulence of recent years.

The next two years are also viewed as crucial for the company's strategy, with the future shape of the European defence industry likely to become clear. BAe is taking a leading role in discussions about bow the industry might rationalise and consolidate. and the company feels it needs both Mr Evans and Mr Lapthorne in their current roles to

complete any negotiations. "With everything that is going on in Europe, the company may well have a very difso speculating about who might run which parts of the European defence industry so far in the future is pretty idle," said one BAe executive.



The quality name around quality brands

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF PLM AB (PUBL) WILL BE HELD ON THURSDAY, APRIL 25, 1996 AT 4:DD P.M. AT SLAGTHUSET", JÖRGEN KOCKSGATAN 7A, MALMÖ, SWEDEN.

 To present the annual report, ouditors' report, consolidated accounts and audit report on the Group

 To pass a resolution to adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet; to pass a resolution on the allocation of profit in accordance with the adopted balance sheet, and to discharge the Board of Directors and the President from liability for the year 1995

· To pass a resolution regarding the

number of Directors and deputy Directors To fix the remuneration of the Directors

and auditors To elect the Directors and appoint ouditors and deputy auditors

Section of Directors and auditors Shoreholders who together represent slightly more than 70% of the total voting rights in the company intend, on the recommendation of the nominations committee, to vote for the re-election of Jan &lomberg, Jon Ekman, Bo Asson Felmer, Hokon Frisinger, Berthold Lindqvist and Clas Reverskiöld, and for the election of current deputy director Carl-Olol By and the new in-coming President and CEO, Fredrik Arp.

Further, the same shoreholders intend to vote for the re-appointment of the ouditors Ulf Pernvi and Bertil Ediund as well as the deputy auditors Ake Christiansson and Anders Lundin, outhorised public accountants with Öhrlings Coopers & Lybrand.

The Board of Directors propose o dividend of SEK 2:00 per share. It is proposed that the final dividend be paid out by the Swedish Securities Register Centre (VPC) on Wednesday, May 8, 1996, to shareholders registered on Tuesday, April 30, 1996.

#### Right to participate

To participate in the meeting, shoreholders must be on the list of shareholders maintained by the VPC by Monday. April 15 and must notify PLM of their intention to participate no later than 3.00 p.m. on Monday, April

#### Natice of intention to porticipate

Notice of intention to participate should be given by mail to PLM AB, Box 836. S-2D1 8D Malmö, Sweden, by telephone on +46 40 20 90 00 or by fax on +46 40-23 78 85.

The list of shareholders only carries the names of shareholders whose stock is registered in the shareholder's name. To participate in the meeting shareholders whose stock has been registered in the name of trustees must arrange to have their stock re-registered in their own names no later than Monday, Acril 15, 1996. Re-registration should be urranged in good time.

Malmö, April 1996 Board of Directors

"Before the meeting, there will be an opportunity to visit PLM's between commoting plant in Faste. Makind Busse will provide a shalle service from Jörgen Kocksgaran to PLM Faste and back every hold from Indiven 12:30 pm and 2:00 pm 1 liches of participation will be required. Light refrashments will be served at Slagthuset from 2:30 pm.

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#### **COMPANIES AND FINANCE: INTERNATIONAL**

#### **NEWS DIGEST**

## Airtouch to acquire rest of Cellular One

Airtouch, the US cellular telephone company, has announced an agreement to buy the 60 per cent of Cellular Communications it does not already own in a deal which the company valued at \$1.65bn. The acquisition will give Airtouch full control over Cellular One, a joint venture it has operated with Cellular Communications in Michigan and Ohio since 1990. Under the terms of an agreement struck at the time, Airtouch had an option to buy the rest of Cellular

Communications after August this year, with the price to be determined by an appraisal process. Cellular One has more than 1m subscribers, and had

operating revenues of \$580m and cashflow of \$284m last year, Airtouch said. The \$1.65bn purchase price, which includes the assumption of \$200m of net debt, will be met in large part by the issue of convertible preference shares, with a maximum of 28 per cent in the form of cash. Airtouch put the cash value of the offer at \$55 a share.

Airtouch was spun off in 1993 by Pacific Telesis, the West Coast telephone company which announced a merger with rival SBC Communications last week.

Richard Waters, New York

#### IBM, Matsushita in network link IBM and Matsushita are to co-operate in providing computer

network services in Japan in a link that could extend to international markets. IBM Japan, the subsidiary of the US computer company, and Matsushita, the Japanese consumer electronics group, are pulling their respective network services together to offer a more comprehensive service to customers in Japan.

IBM Japan, which provides a domestic value-added network service, will incorporate into its menu of offerings Maisushita's VAN services, which have so far been used mainly by Matsushita group companies. IBM Japan will have access to Matsushita's voice services, which the consumer electronics company has been providing since 1991.

#### Daiei boosts full-year forecast

Daiei, Japan's largest supermarket chain, has increased its consolidated earnings projections for the year to February ahead of its official profit announcement later this month. Low interest rates led to a decline in funding costs for the group, although sales estimates were reduced because of weaker-than-expected consumer confidence.

The company increased its estimate of consolidated pre-tax profits 184 per cent over its initial forecast, to Y87hn (\$344m) -4.9 times that of the previous year. Group sales were cut 4.1 per cent to Y3,156.6bn, down 2.1 from a year earlier. Net profits are expected to remain unchanged at Y5bn.

#### Gold mine setback for North

ector to

HI CHAITM

VORLD

Plans by North, the Melbourne-based resources group, to develop an A\$177m (US\$139m) gold mine at Lake Cowal in central New South Wales have been dealt a blow by the state government, which has decided to block the project on environmental grounds. Environmentalists claim the lake and its surroundings are wetlands of international significance.

A spokesman for Mr Bob Carr, the NSW premier, said the government did not believe sufficient safeguards had been put in place, given the significance of the area. The government expressed particular concern over the use of cyanide for processing the ore, so close to the wetlands. The decision came as a surprise to North, which had earlier had the green light

from a commission of inquiry.

The company – formerly known as North Broken Hill Peko

has yet to be officially informed of the government's
decision, although this is expected to happen today. North indicated that it would consider its options when it had a fuller understanding of the reasons behind the government's

The project - an in-house discovery - was due to come into 2m ounces of gold. Annual production was likely to be about 230,000 ounces over the mine's seven year life, and then 100,000 ounces for a further four years, as lower-grade ore was

#### Kenya Airways float popular

The Kenyan public's interest in the Kenya Airways flotation, the largest in the country's history, has exceeded all expectations and the lead stockbrokers in charge of the offer say it could be oversubscribed by up to 200 per cent. The vast majority of applications returned so far are retail, with the institutions expected to hold off until the closing days.

About 34 per cent of the state-owned carrier's stock has been

reserved for the Kenyan public and institutions, with another 14 per cent allotted to international investors. The government

retains a minority stake of 23 per cent.

Investors appear to be drawn by the low offer price of Ks11.25 per share, sharply discounted on the asset value of Ks17.38, last year's \$17m profits and the partnership with Dutch national carrier, KLM, which bought a 26 per cent stake in Kenya Airways last January.

Another important factor was the public perception that the flotation, in contrast with past privatisations in which the government remained a majority shareholder, represented a true state divestment. "The perception out there is that the government really is taking its hands off this time and you're huying into private sector management and an internationally reputed airline," said Mr John Munge, of Shah, Munge and Partners Ltd.

After the offer closes a committee will study how to allocate the shares. Priority in the foreign tranche will be given to emerging funds and institutional investors while the domestic offer will aim to reach the widest possible market. Michela Wrong, Nairobi

## Viacom joins Kirch in five-year alliance

By Wolfgang Münchau in Frankfurt

Viacom, the US entertainment giant, and Kirch-Gruppe, the German media group, have formed a five-year strategic

alliance.
The deal is aimed at giving Viacom a foothold in Germany and strengthening Kirch's grip on the distribution rights of US-produced films and television shows. The agreement was signed in New York yesterday and took effect retroactively on January 1. The two sides did not disclose financial

Under the terms, Kirch has secured the television rights for German-speaking territories on all films and TV shows produced by Paramount Pictures, a Viacom subsidiary, during the five-year period.

These rights will be extended to cover the whole of continental Europe for some TV shows and films. The agreement also extends Kirch's existing rights to Paramount's programming

another step in the race for the leadership in digital TV, which will offer interactive television. including home shopping and video on demand.

As part of the deal, Kirch agreed to carry several of Viacom's networks, including MTV Europe and the VH-I Germany music channels, and a programming block of Nickel odeon, a Viacom children'a TV

Viacom has also secured an option for a 12 per cent stake in Gestevision Telecinco, which owns Estudios Telecinco, a Spanish television network. The two companies said they planned to launch other

co-operative ventures.

Kirch, which runs the Sat 1 television network in Germany, owns the largest film and TV archive in Europe. Viacom is one of the world's largest media companies. It includes Paramount Pictures, Paramount Television, Blockbuster, the video rental group, MTV, and Simon & Schuster the publishing company.

## Chrysler to sell defence activities to Raytheon

#### By Richard Waters in New York

Chrysler has agreed to sell its

defence electronics and airborne systems businesses to Raytheon for \$475m, marking what is likely to be the largest of the disposals it promised when reaching a truce with Mr Kirk Kerkorian in February. The US carmaker had said as

long ago as 1990 that it planned to sell its non-automotive However, it took pressure from Mr Kerkorian, the company's biggest shareholder, for

Mr Bob Eaton, Chrysler'a

chairman, to deliver on that

Raising cash through asset sales was one of the conditions for the five-year standstill agreement reached between the Las Vegas-based investor and Chrysler.

For Raytheon, meanwhile, the purchase is the latest in a string of acquisitions in the defence and electronics areas. Last year, the company paid \$1.3bn for E-Systems, part of whose business operates in direct competition with the Chrysler operations being

Raytheon is buying two of

Technologies, while a third, Pentastar Electronics, will be retained by the carmaker. Chrysler Technologies as a whole had sales of nearly

\$500m last year, Raytheon said. After the sale, which is subject to anti-trust review, Chrysler's non-antomotive businesses will comprise Pentastar and two rental car companies, Thrifty and Dollar. The carmaker bas also

attempted in the past to sell some of its parts-making operations, though opposition from the United Auto Workers union bas blocked the move.

the businesses of Chrysler Like Ford Motor, for instance, Chrysler has been prevented from selling its glass-making

> News of the disposals comes before next week's release of first-quarter earnings, which are expected to show a strong performance at the smallest of the big three carmakers. A year ago, Chrysler's earnings were hit by a sluggish new vehicle market in the US and the cost of switching to a new model of its popular minivan. This year, the minivan has been selling strongly, as has

another high-margin vehicle,

the Jeep Grand Cherokee.

Mr David Healy, an auto industry analyst at Burnham Securities, predicted Chrysler would report earnings per share of \$2.45 for the first quarter, well above the \$1.63 of a year ago and ahead of the \$2.30

Chrysler recorded at the beginning of 1994. The company's margins could eventually come under pressure from growing competition in its most profitable vehicle lines. Mr Healy said, with a new minivan from General Motors this autumn and an array of manufacturers targetting the luxury sports-



Bob Eaton: following through on promise made in 1990

## Komerční Banka plans executive share options

Exponents of the Anglo-Saxon brand of capitalism are about to score a rare and notable success in the Czech Republic after the country's leading bank said it intended to introduce a share options package for aenior executives as part of their annual

Komerční Banka, tha dominant commercial bank, will reward seven members of its management board with share options on the basis of its 1995 results, which wers greeted warmly by the market when they were unveiled last week.

Komerční, which has broken new

ground for Czech banks in other key areas, is the first big privatised company to introduce such a scheme. It amounts to a revolutionary step in the conservative Czech business world, which to the disappointment of US-style bankers and stockbrokers is developing along German or continental lines.

Dr Richard Salzmann, chairman

and chief executive of Komerčni, said the options scheme was offered and approved by the bank's supervisory It was considered appropriate, he

said, "on the basis of experience from Angle-Saxon countries". The package's value will be based

on the bank's annual profits and on the achievement of targets, including an increase in Komertini's share price, which has risen sharply since the

beginning of the year.
"It is a form of motivation that is very advantageous for the bank." Dr

The share price rose 6 per cent last Wednesday, after the bank disclosed better-than-expected profits of Kc5.1bn (\$186m) after tax and a dividend that could reach 20 per cent of each share's nominal value of Kc500. Profits for this year are

forecast to be higher again.

Dr Salzmann would not disclose the value of the scheme to the executives,

size of each director's 1995 options package would be disclosed in the annual report for 1996.

utility market

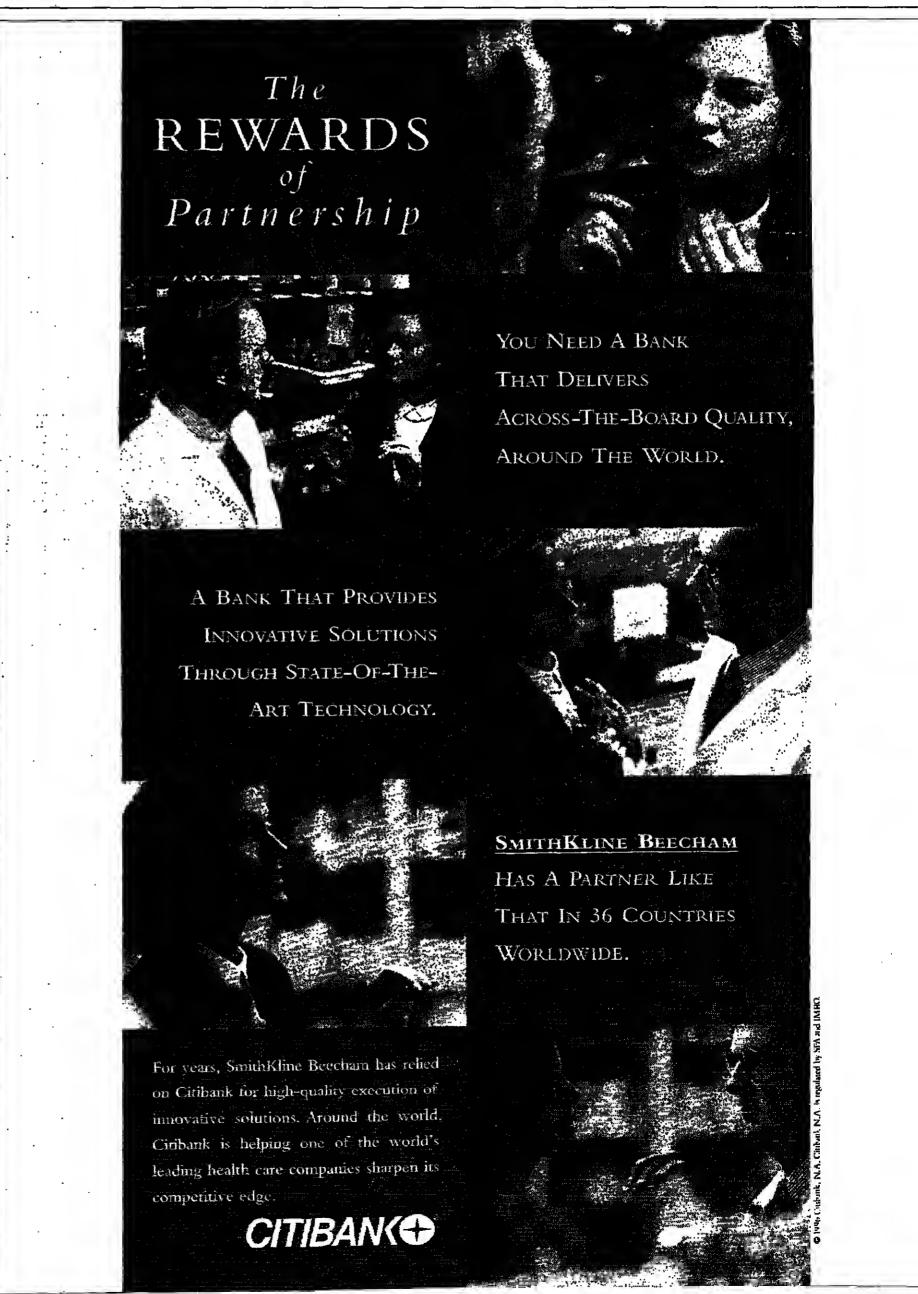
Komerční is considered to be the most restructured of the four main Czech banks. It was the first Czech bank to undergo an audit by international accountants, the first to launch a global depository receipt programme, and the first to issue a eurobond, which CS First Boston is about to bring to the market.

The bank's success in provisioning Its loan portfolio - the Achilles beel of every Czech bank - has attracted strong interest in its shares from foreign portfolio investors, who

which include himself. He said the regard it as a bellwether of the

It remains to be seen whether Komerční's move to give its senior people a stake in its success will be followed by other Czech companies. There are obstacles to the widespread advance of share options packages, including the fact that at many companies management is not independent of its main sharebolder for whom the performance of the share price is often less important

than control of the company. Nevertheless, experience has shown that where Komerční ventures, other Czecb companies, and especially



Barney's

could put

in the red

By Emika Terazono in Tokyo

lsetan, a leading Japanese

department store nperator.

could go into the red for the

first time in 35 years because

of losses resulting from the

bankruptcy proceedings of its

US partner, Barney's of New

The Japanese department

store operator said it had vet

to be decided whether or not

or how much of the losses

relating to Barney's, whose

Chapter 11 bankruptcy

proceedings began in January, would be included in its

But Mr Kunihlko Murata, an

lsetan nfficial, said the

company might post net losses

for the first time since its

The Japanese retailer tied up with Barney's in 1989, and

(\$573m) in investments and

loans, funding its expansion in

The dispute over the joint

venture agreement and the ownership of the chain of

Barney's stores in the US, has

prompted litigation from both

ides. Barney's filed a suit for

\$50m against Isetan in

January and the Japanese

retailer conntered with a

lawsuit against

has since provided the Naw O York retailer with Y61.6bm

consolidated carnings.

listing in 1961.

the US.

\$168m

Isetan

#### NOTICE OF REDEMPTION THERMO INSTRUMENT SYSTEMS INC.

6% CONVERTIBLE SUBORDINATED DESENTURES DUE 2001 Notice Is Hereby Given that Thermo Instrument Systems Inc. Libe Company") has exercised its right, pursuant in Section 6 of the Fiscal Agency Agreement dated as of August 2, 1991, to redeem on May 2, 1996 (the Redemption Date") all of the Company's then outstanding 6.% Convertible Subordinated Debentures due 2011 (the 'Debontures').

#### REDEMPTION OF THE DEBENTURES Redemption Date: May 9, 1996

Redemption Price. The redemption price of the Deboutures is 10.6% of the principal amount of the Deboutures, together with interest accrued from February 15, 1000 to May 9, 1906, in the amount of \$15,16 per \$1,000 principal amount of Debeutures, making the total of \$1,046,46 psychole on May 9, 1990, for each \$1,000 principal amount of Sebentures not converted prior to the close of husiness on the Redemption Date.

Cessation of Interest and Sights of Debenture holders. On the Redemption Date, the redemption price of the Debentures not converted on or prior to the close of business on the Redemption Date will become due and sayable and interest on the Debentures will cease to accrue. The Debenture will no longer be deemed ourstanding after the Redemption Late and all rights with respect thereto will cease, except the right of the holders to receive the redemption price and interest accrued to the Redemption Date.

**Bedemption Procedure.** Payment of the amount to be received or redemption will be made by the Company upon possentment and surrender of the Debontures with coupons dated August 15, 1996 and subsequent theret attached on any Bearer Debentures) at any time on or after the Redemptin Date at any of the locations set forth below at the end of this notice.

#### CONVERSION OF DEBENTURES INTO COMMON STOCK

Conversion Price. Prior to the class of hashness on the Redemption Date th principal amount of any Debentures, or any portion thereof that is \$1,000 or a multiple of \$1,000 may be converted at the option of the loider into shares of Common Stock of the Company at a conversion price of \$2,078 per share for approximately 100,13 shares for each \$1,000 principal amount of Debentures

Conversion Procedure. The Debendures may be surrendered for conprior to the classe of business on the Hedemption Dare in accordance with the conversion procedures set forth in the Debentures at any of the locations se forth at the end of this notice. Holders will be paul accrued interest for February 15, 1996 to the dato the Debentures are surrendentil for conversion. THE RIGHT TO CONVERT THE OEGENTURES SHALL TERMINATE AT THE CLOSE OF AUSINESS ON THE REDEMPTION OATE.

Bearer and Registered Debentures may be presented for red Conversion at any of the following locations.

Chemical Bank Trinity Tower

Thomas Mor

Banque International a Luxembourg QU route d'Esch L-1470 Luxembaumy Ville

Registered Debentures may be presented for redemption and Beams or Registered Debentures may be presented for conversion at the following additional location.

Chemical Bank ISth Floor Dallas Texas TeXL United States

#### Carrefour

SALES, TAXES INCLUDED AS OF MARCH 31, 1996

	March 96 on FF multions)	^. March 'W/ March 95	3 months ended March 31, 1986 (un FF millions)	consulated March 96/ March 95
LIRCHIP SALES	13.941	82	40,352	6.0
FRANCE	8,529	3.8	24,184	+1



In March, Carrefour opened; its 2nd store in Malaysia (Johor Bahru, 88,100 square feet), its 1st store in Thailand (Sukhapiban, 75,400 square feet), its 8th store in Mexico (San Luis Potosi, 120,700 square feet) and its 51st store in Spain (Alcobendas, 108,800 square feet). At the end of March, the Group manages 250 hypermarkets in the world.

#### £25,000,000

#### 🖰 ବ୍ଲିଜ Cheltenham & Gloucester

Floating Rate Subordinated Notes due 2005 Notice is hereby given that for the six months interest period from April 3, 1996 to October 3, 1996 (183 days) the Notes will carry an interest rate of 6.7875%. The while on the relevant interest nevment date

October 3, 1996 will he £3,393.75 per £100,000

The Industrial Bank of Japan. Agent Bank



Samsung Electro-Mechanics Co., Ltd. rated in the Republic of Korea with Limited Liability) US\$ 40,000,000 4½ per cent. Boods due 1997 with Warrants

AX per cent. Bonds due 1997 with Werrants
NOTICE OF THE CONVERSION PRICE ADJUSTMENT
We hereby give notice to the holders of the above described Bond with
Warrants in accordance with the terms and conditions of the Instrument
office of the Instrument
of the Cooper, 1992, the Subscription Price was decreased from
Korean Won 18,356 to 18,255 effective after 28th February, 1996. This
adjustment is a result of the Free Distribution of Shares resolved at the
meetings of the Board of Oirectors of the Company held on 20th
Decomber, 1995.

April 9, 1996 By, Cilibank, N.A., Principal Paying Agent

JAPAN AIRLINES COMPANY, LTD. ¥10.000.000.000 Floaring Rate Notes due

April 1998 For the period 9th April 1996 to 5th July 1996 le accordance with the Terms and Cooditions of the Notes, to a boreby given that the

rate of interest has been fixed at 0.55938 per ceet, per anough and that the interest payable on the relative ont date boing 5th July 1996 will be ¥207,\$\$3 per

The Industrial Sank of Japan, Limited (Loudon Branch)

as Agent Bank

JPY 20,000,000,000. **FIXED/FLOATING RATE** NOTES DUE 1999

CITIBANCO

that the rate for the coupon N° 7 has been fixed at 0.90938 % for the period starting on 09.04.1996 math 08.07.1996

The coupon will be payable or 09.07.1996 at the price of JPY 229,871. The Fiscal and Principal Paying Agent

CREDIT LYONNAIS CREDIT LYONNAIS

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#### COMPANIES AND FINANCE: INTERNATIONAL

## Enersis aims to turn Light into profit

Chile's power conglomerate is preparing a bid for the Brazilian company to maintain its high growth rate, writes Imogen Mark

I moving into the spotlight as it prepares a bid for a much higger Brazilian state

сотрапу. Its target is Light, distributor for the city of Rio do Janeiro. which sells 19,981 GWh (gigawatt/hours) a year. By con-trast, all of Chile consumes only 19,940 GWh of electricity a year. The minimum price tag on Light is \$2.5hn.

Enersis is no stranger to restructuring state utilities. it acquired Argentine distributing assets for \$194m when Segba, the Buenos Aires generating and distribution company, was privatised in Enersis and its distribution

subsidiary Chilectra - which serves 1m clients - acquired 19.6 per cent of the distribution network for the southern half of the Argentine capital in The Argentine assets, which hecame Edesur, serves 2m

customers. Chilectra has invested \$490m in it and has turned losses of \$62m in 1993 into profits of \$74m. This, maintains Enersis, is strength: turning over-weight, under-invested, utilities into

profitable private distribution

companies, it first moved on

By Imogen Mark in Sentiago

An alliance between Codelco.

the Chilean state-owned copper

corporation, and AMP. Austra-

lia's higgest pension fund man-

ager, plans to hecome Latin

America's first mining house,

according to Mr Jorge Bande,

managing director of AMP

forging a link between the

Chilean capital markets and

the Chilean mining sector

which has been almost entirely

absent until now," Mr Bande

said, adding that the venture

hoped to attract the support of

institutional investors, and

more specifically the Chilean

"It will be a step towards

Investments, Chile,

nersis. Chile's largest Chilectra, which was already power conglomerate, is privatised, in 1987, it is now working on Edelnor, a Lima distributor acquired in 1994.

It is also speeding up the turnround procass. At Chilectra it took nine years to reduce energy losses from theft, leakage and over-consumption from 19.8 per cent to last year's 9 per cent. The same process took only three years in Argentina, from 26 per cent in 1993 to 12 per cent last year. In Lima, there has been a 4.5 per cent gain in little more than a year.

In Argentina, for example.

power cuts were averaging an

hour a week in 1992 hut are now down to an hour a quarter. Cutting staff has proved politically sensitive. In Argentina it has been a source of conflict - the Chilean flag was hurned hy angry employees on one occasion. Chilectra is the company's henchmark for an efficient customer-to-staff ratio, at 615:1. Edesur had to dismiss almost half its employees to reach 514:1. Light has 12,000 employees, so its numbers would have to fall to about 3.600 to achieve the same ratio Enersis had sales of \$1.8bn in 1995, double the 1994 figure, with the increase coming from a higger share in Edesur, it has

been taking on new debt and

private pension funds.

The venture aims to become

one of the top 20 companies on

the domestic stock market. It

will be formed as a holding

company with initial assets of

\$20m. AMP will contribute \$6m

in cash, and take 51 per cent of the company; Codelco will take

the other 49 per cent stake, and

contribute four mining proper-

ties from its portfolio of explo-

ration prospects. These are

either copper, gold or mixed

Once the venture has devel-

oped or acquired workable

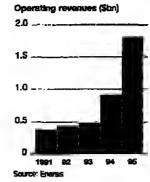
deposits, it will seek new capi-

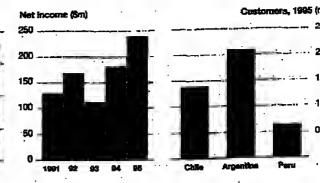
tal from domestic institutional

investors, according to Mr Ivan

deposits.

Valenzuela.





capital to cover past and future acquisitions, with an additional \$280m in new shareholder capital, and a \$500m syndicated loan from an international hanking consortium.

Enersis is expected to go for a controlling stake plus management in Light through a consortium with Brazilian and possibly US partners. The Chileans are awaiting

clarification of the estimated rate of return in the formula to be used for setting tariffs. If this is less than, say, 85 per cent airtight, says Mr David Hurd, senior analyst in Merrill Lynch's Santiago, then Enersis doesn't need Brazil just now" and would do better to focus on other possibilities in Colombis and Mexico.

ut Enersis needs new outside investments to maintain its growth rate. The bulk of its revenues will come from its Chilean business until the end of the

Codelco-AMP venture to woo pension funds

Most of the big mines in

Chile are foreign-owned. Only one, Mantos Blancos, which is

Anglo-American, has a float on

the Chilean stock market, and

Mr Valenzuela said Codelco

had been holding talks for

some months with the superin-

tendency of pension funds.

which monitors the funds'

investments and operations, to

find ways in which they could invest in this or other ven-

tures. For example, Codelco

has a medium-sized deposit,

San Antonio, near its Salvador

mine. By the end of the year it

expects to have a clear idea of

majority-owned

that is very small.

decade, says Mr Hurd. He regards the possibilities for faster growth outside Chile as Important in maintaining investor interest in the ompany. Chilean consumption, at

1,351 kWh per head per year, is still far from Hong Kong'a 4,418 kWh. But Brazil, with a population of 161m, consumes only a shada more power, at 1,406 kWh per capita than Chile, with a population of 14m. Chile, apart from

Chilectra and a second small distributor, Enersis has a real estate arm a software subsidiary and a controlling 25 per cent stake in Endesa, the biggest generator. Endasa supplies almost half the power in the central electricity grid. which covers 93 per cent of

Chilgener, mainly has thermal generators, which are less cost-efficient than hydro. Chilgener has been the driving

ore, which will determine how

it can be mined and at what

said, they expected to be able

to offer bonds on the local mar-

ket for institutional investors

without the need for changes

in pension fund law, which limits the amount the funds

can invest directly in mining

The funds manage assets of

about \$25bn, but are strictly

However, they need to diver-sify their share portfolios.

which are heavily concentrated

in the electricity sector,

because they represent such a

SOFTS

projects.

regulated.

At that point, Mr Valenzuela

force to bring natural gas from Argentina to Chile, via a Andes to Santiago.

owner-operator.

Chilean consumption. its main competitor,

pipeline being built across the Cheaper power from gas will

cut the hase price for electricity by an estimated 20-25 per cent - benefiting Chilectra and the other distributors, though reducing margins for the generators. Endesa will huild its own gas-fired plant in 1997, but the bulk of its production will still come from hydro, with two new plants in the offing.

A third new competitor should come on the scene towards the end of the year, when Colhun, the last state-owned electricity utility. sells a stake to a private government wants greater competition, so suppliers to the central grid will not be allowed

to bid. Instead, the government wants to attract a big foreign utility to develop Colbun - and give Enersis/Endesa more of a

stock market.

Mr Valenzuela said there

was considerable interest

among the pension fund man-

agers in the possibility of investing with Codelco.

privatising the state-owned

company's existing operations,

which contributed \$1.3bn to fis-

cal revenue last year, equiva-

lent to 40 per cent of the 1995

health, education and housing

sales of \$3.9bn in 1995, is the

world's biggest copper mining

company, with production last

year of 1.2m tonnes.

-10 1346 1330 7,502 20,316 -12 1356 1341 6,737 21,371 -4 1375 1362 669 12,762 -10 1383 1375 749 15,907 -11 1395 1367 1,909 11,134

Codelco, which reported

There is no question of

Barney's last month. Isetan had expected its core business to be in the hlack for the year ended March after posting its first recurring profit in four years in the year to March 1995.

Sales at Barney's Japan, in which Isetan halds an 80 per large proportion of the compa-nies which trade in the Chilean cent stake, bave also been

But Isetan's stock fell Y80, or 1.9 per cent, to YI,530 on the Tokyn stock exchange yesterday because investors were concerned at reports over the weekend that the company would suffer a net loss of Y20bn for the past business year because of a Y30bn write-off of losses stemming from Barney's bankruptcy.

The company, which will release its annual earnings statement at the end of May, refused to confirm the figures, saying an official decision on its annual accounts was yet to be made.

#### III HIGH GRADE COPPER (COMEQ

	Sett	Day's change	High	Low	Yol	Opeu Jos	
Арг	113 60	+0.30	113,60	113.10	214	"Z,563	
May	113.35	-	113,85	11280	1,666	19,123	
Jun	112.60	-0.25	112.70	112.45	37	967	
Jol	11210	-0.15	112.50	111.70	328	8,512	
Ausg	111.50	-0.15	-	-	5	537	
Sep	110.90	-0.15	111,30	110 60	44	3,443	
Total					2,395	42,482	

Precious Metals continued GOLD COMEX (100 Tray oz., \$/tray az.)

Sett Day's

	price	change	High	low	Yor	Int
Apr	398.2	+3.1		395.0	148	753
Jen	400 7	+3.1	401.0	397.1	18,783	100.644
Aug	403 1	+3.2	403.7			20,117
Oct	405 5	+32	403.B	403.0	259	5,240
Dec	488 D	+3.3	408.2	404.4	2,386	22,817
Feb	4106	+24	408.3	408.3	10	
Total					20,074	196,752
의 우나	MUNITA	NYME	(50 Tr	oy oz:	S/troy o	z.)
Арг	410.6	+26	415.D	408.5	32	308
Jul	412.4	+2.6		409.8	1,326	19.533
Oct	415.4	+28	4160	4140	t0	3,138
Jan	4182	+28	~	_	5	1,066
Apr	420 7	+26	-	-	5	655
Total					1,388	24,699
PA	LADIUN	A NYM	EX (100	Troy o	z.; S/tro	y oz.)
Jun.	142.60	+1.35	142 60	141 50	322	5.573
Sep	144 60	+1 35	-	-	225	1,046
Jec.	145.10	+1.45	145.00	145.00	- 1	111
otal					547	6,730
SIL	VER CO	MEX (S.	000 Tro	y 62; (	Cents/ti	Dy OZ
Nor-	<del>5</del> 55 0	+13.0	550 0	550.0	1	1
Kay	556.5	+130	557.0	547 Q	29,030	57,280
iui .	561 S	+13.2			2,605	19.085
Sep	566.6	+13.6	564.0	557.5	931	11.512
Dec	574.2	+14.1	572.0	566.0	490	7.581
far	582.0	+146	-	-	1	3,165
lefte!					-	-

ENERGY ■ CRUDE OIL NYMEX (42,000 US gails, S/barrel) Latest Bay's Open price change Bigh Low Vol let 23.39 +0.64 23.40 22.57 38.424 83.916 21.26 +0.36 21.29 20.82 24.051 85.934

Codelco's

19.96 +0.16 20.03 19.76 11.903 49.62 19.17 -0.01 18.23 19.07 9.039 33.277 18.79 -0.04 18.85 18.77 6.026 30.491 18.55 -0.10 18.65 18.53 2.061 15.411 HEATING OIL NYMEX (42,000 US galls.; c/US galls.) Latest Day's Open price change High Low Vel Int 61.75 +2.18 61.75 59.25 11.047 24,950 55.85 +1 44 55.90 54.30 53.35 +0.64 53.40 52.70 52.70 +0.34 52.70 52.20 1,365 12,669 484 9,066 222 4,537 52.75 +0.04 52.90 52.50

MATURAL GAS NYMEX (10,000 minibil) S/minibil) Latest 'Dwy's Open price change High Low Yol Int 2310 -0.025 2315 2285 12123 32,007 2280 -0.009 2280 2260 5.045 21,188 2235 -0.018 2240 2225 3,708 21,031 2200 -0.010 2205 2190 652 15,343 2160 -0.005 2160 2155 370 12,787 2.145 -0.005 2.145 2.135

MUNIFADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) Latest Day's price change High Love Vol 70.25 +1.49 70.30 68.30 13,119 28,809 67.40 +126 67.45 65.73 5.972 18,811 64.20 +0.91 64.30 63.20 2,722 18,826 60.90 +0.41 00.00 60.15 2.103 5.940 68.30 +0.70 58.45 58.10 727 3,234 55.15 +0.68 55.15 55.15 4 725

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE CME and CSCE are one day in amers.

#### GRAINS AND OIL SEEDS ■ WHEAT CBT (5,000bu min; cents/60b bushel)

by

	Sett	Day's				Open			
	price	change	High.	LOW	Yol	list			
May	525.25	+2.75	535.00	520.50	4,265	18,620			
Jol	492.00	+5,00	496.50	485.25	17,369	51,331			
Sep	494,50	+5.00	497.50	487.00	1.764	12,322			
Dec	504.25	+325	507,50	499,00	2,296	10,834			
Mar	502.00	+5.00	507.00	498.00	90	659			
Jest	435,00	+3,00	438.00	433,00	62	635			
Total					25,837	94,823			
MAI	MAIZE CBT (5,000 bu min; cents/56th bushel)								
May	435.73	+9.25	437.75	426.00	51,205	151,414			
Jal	425.50	+9.25	427.75	416.00	34,434	145,550			
Sep	374.50	+I1.00	375.50	963.00	10,290	46,494			
Dec	342.25	+8,50	343.00	332.50	18.536	111,033			
Mar	347.50	+9,25	348 00	338.25		9,758			
May	348.75	+9.75	350.50	340.50	138	995			
Total					116,856	171,538			
SOY	ABEAN	S COT A	i. (2000bra)	elis; cen	ts/80tb b	usbell			
May	781.25		786.00	762.00	14,089	56,980			
Jul	790.75		796.00	772.5U	29,578				
Aug	792.00		797.90	775.00	1,465	8,404			
Sep	783.75		788.00	765.50	391	4,473			
How	779.50		783.50	758.00	12,804	61,172			
Jan	786.75	+18,75	789.00	767 50	394	3.898			
Total					59,0062				
SOY	ABEAN	OIL C	3T (60,0	OOths:	centa/It	)			
May	25.96	+0.34	26.20	25.50		30,615			
Jos.	26.31	+0.33	26.50	25.88		37,713			
Aug	25.48	+0.34	26.65	26.05	729	7,137			
Sep	26,62	+0.31	26.80	26.28	125	3,940			
Oct	26.77	+0.35	<b>27.00</b>	26.41	195	2,363			
Dec	27.12	+0.34	27.35	26.68	2,112	12,176			
Tatal					17,970	94,741			

SOYABEAN MEAL CBT (100 tons; \$/ton) +5.5 251.2 242.3 13,464 32,027 +5.8 255.1 244.8 14,990 36,026 +5.8 255.5 246.7 2,169 7,056 +6.7 253.0 245.2 396 4,503 +6.4 250.0 342.2 232 3,004 +6.5 250.2 242.0 2,433 11,701 33,713 \$7,933 July July Sop Oct Dec Total

17,744 96,531 ■ COCOA (ICCO) (SDR's/torme) ■ COFFEE 'C' CSCE (37.500lbs: cents/lbs) 113.55 -1.70 115.40 111.00 6.496 15.437 114.10 -1.00 115.20 111.80 1.908 8.200 113.40 -1.30 115.60 117.00 480 4.375 113.60 -0.80 114.75 112.00 99 2.046 113.60 -0.40 114.00 113.50 25 503 112.95 -0.30 113.50 113.50 54 189 113.60 -0.90 114.75 112.00 113.60 -0.40 114.00 113.50 112.95 -0.30 113.50 113.50 COFFEE (ICO) (US cents/pound) Pres. day 104.11 106.98 ■ SUGAR '11' CSCE (112,000lbs;

■ COCOA CSCE (10 tonnes; \$/tonnes

11.91 +0.02 11.85 11.76 10,152 43,274 11.26 +0.20 11.30 11.04 5,567 45,449 10.92 +0.18 10.96 10.77 1.420 29.404 10.61 +0.17 10.65 10.48 885 19.074 10.53 +0.15 10.53 10.39 247 4,862 10.41 +0.14 10.37 10.27 73 2,373 10.41 +0.14 10.37 10.27 ■ COTTON NYCE (50,000fbs; cents/fbs) 87.22 -0.33 88.30 88.9011.034 18.728 88.65 -0.16 69.50 88.0510.326 16.372 83.45 +0.38 83.50 82.70 477 2.688 80.80 +0.37 80.80 80.05 3.368 19.308 +0.28 81.60 81.15 89 2,353 +0.33 81.90 81.73 92 1,059 25,433 82,690

#### Softs continued ORANGE JUICE NYCE (15.000lbs; cents/lbs)

hen 124.00 +2.05 124.00 122.50 51 2,95	they .	132,55	+2.70	134.00	130.00	626	12,972
ter 126.30 +2.00 126.30 126.30 4 75 ter 124.00 +2.06 124.00 122.50 51 258 ter 125.95 +2.00 126.00 125.70 - 17 (otal	let	130.75	+2.20	131.90	129.70	275	4,712
Nest 124.00 +2.05 124.00 122.50 51 2,95 Nest 125.95 +2.00 126.00 125.70 - 17 Notel 920 24,38	Sop	129.85	+2.20	130.00	128.00	14	2,633
Nor 125.95 +2.00 126.00 125.70 - 17 Poted 920 24,30	No.	126.30	+2.00	126,30	126:30	4	794
fotal . 920 24,30	lant.	124.00	+2.05	124.00	122.50	51	2,959
	dag.	125.95	+2.00	126.00	125.70	•	176
	otal					920	24,381

	Sett	Day's				Open
	Price	change	High	LOW	Vol	
Apr	63 475	~0.300	63,775	63.150	3,504	17,77
Jim's	63.400	~0.075	63.675	62.950	92	35,20
Aug	63.325	+0.025	63.650	63.050	36	20,57
Oct	64.500	+0.300	64 550	64 050	60	11,32
Dec		+0.150			1	10,02
Feb	63,625	+0.375	63.800	63,175	160	4,35
Total					3,693	99,68
	E HOGS	CME P	40.000R	os: cent	3/lb3)	
Apr	53.950	+1,375	54 075	52.650	984	6,12
Jun		+1.500			32	15,66
أيبل		+1.150			22	6,80
and a	52.750	+0 775	53 300	52,200	23	6,08
Oct		+0.850			7	3,66
Doc	50.375	+0.875	50.650	48.500	7	2,59
Total					1.001	45,01

**New Zealand** 

US\$ 1,000,000,000 Floating Rate Notes due 1999 In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from April 08, 1996 to July 08, 1996 the Notes will carry an Interest Rate of 5,33594%

The Coupon Amount payable on the releval Date, July 08, 1996 will be US\$ 134 88 per USS 10,000 principal amount of Note and USS 1,348.81 per USS 100,000 principal

CHEMICAL BANKING CORPORATION

US\$200,000,000 SUBORDINATED

FLOATING RATE NOTES DUE 2000

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 9 April 180% to 8 July 1996 the Notes carry an interest rate of 5.61094% per annum.

M CHEMICAL

U.S. \$100,000,000

SBAB

Statens Bostadsfinansleringsaktiebolag, SBAB ted with limited liability in the Kingdom of S Subordinated Floating Rate Notes due October 2002

Notice is hereby given that for the six months interest Period from April 9, 1996 to October 7, 1996 the Notes will carry an Interest Rate of 5.375% per annum. The Interest payable on the relevant interest payment date, October 7, 1996 will be U.S. \$135.12 and U.S. \$2,702.43 respectively for Notes in denominations of U.S. \$5,000 and U.S. \$100,000.

By: The Chase Manhattan Sank, N.A. London, Agent Bank April 9, 1996



JUPITER TYNDALL GLOBAL FUND, SICAV Registered Office: Luxembourg 13, rue Goethe R.C. Luxembourg 8 34.593

DIVIDEND NOTICE

esolved on 29 March 1996 to pay a dividend of £0.02 per share to be High Yield Portfolio on record on 29 March 1996 with an ex-dividence date of 30 March 1996 payable on 9 April 1996.

#### BANCO TORNQUIST S.A. (Formerly Banco Crédit Lyonnais Argentina S.A.) US\$ 70,000,000

7.511 per cent. Negotiable Obligations due 1996 NOTICE TO NOTEHOLDERS:

Redemption of principal; in accordance with the terms and conditions of the Notes, the Issuer shall repay the third.

Payment of interest: payment of interest for the six month period ending March 1996 will also be made on April 4th, 1996.

Principal Paying Agent: Crédit Lyonnais Luxembourg S.A.: 26 A, Boulevard Royal,

Paying Agents: Banco Torriquist S.A.: Bartolomé Milre 531 (1036) Buenos Aires, Arcentina

Crédit Lyonnais S.A.: 19 Boulevard des Italiens, 75002 Paris, France Paying Procedures: holders of the Notes will receive any payments of principal and interest which they are entitled in accordance with their holdings as registered with Caja de Valores S.A. Cedel S.A. and/or Euroclear.



72.575 +2.000 72.575 70.400 69.950 +2.000 69.950 68.600 70.300 +2.000 70.300 70.000

175 11,214

Banco Tomquist S.A. (formerly Banco Crédit Lyonnais Argentina S.A.) (the "Issuer") hereby informs holders of its US\$ 70,000,000.7.50 per cent. Negotiabla Obligations due 1996 issued on October 4th, 1993 (the "Notes") that:

instalment of principal, in an aggregate amount of US\$ 17.500,000.-,on April 4th, 1996.

L-2449 Grand Duchy of Luxembourg.

The Board of Directors

BANCO TORNOLIST

## Barney's could put Isetan in the red

# The consensus way with governance

Norma Cohen on changing relations between investors and companies in the Netherlands

The Amsterdam Stock Exchange's top priority for 1996 is corporate governance. Corporate governance? In the Netherlands?

In his turn of the year address to stock exchange members, Boudewijn Baron Van Ittersum, chairman, said that relations between listed companies and their shareholders must be improved

ers must be improved.

"I deeply regret that - partly as a result of the long-running debate on these issues - the relations between listed companies and shareholders' representatives are not all they could be," he said.

"The more active role being

"The more active role being taken by investors is still experienced by too many companies as a threat, while it could if taken seriously - function to support an effective corporate policy."

In recent weeks, the Amsterdam exchange, in co-operation with the Dutch Association of Stock Exchange Listed Companies, set up a committee to make recommendations on best practice for company directors and supervisory

But the interesting question is why corporate governance is now becoming an issue of such pressing concern in the Netherlands.

Unlike their German counterparts, Dutch companies have been relatively free from the sorts of corporate banana skins which have fueled a drive for higher standards of corporate governance there. They have also avoided the corporate corruption scandals which have dogged some French companies and sparked an outcry among their inves-

Moreover, by European standards at least, the Dutch markets have provided good returns over the years.

However the Netherlands looks undervalued when viewed on a p/e basis with frompanies trading at only 12.9 against 15.6 for other European exchanges. However, Mr Richard Davidson, European equity

## FUND

funds are more and more con-

sidered profit centres for com-

Pension fund investors can-

not afford to be complacent in

the face of corporate medioc-

Only this year, the ABP pen-

sion scheme, the world's second largest with Fl 195bn in assets, has been freed of all

government restrictions on its investment decisions. By 2000, its total equity investment is

expected to rise from Fl 31bn to Fl 85bn.

Meijs of ABP the pension scheme is "recently redefining

its position as a shareholder in

Dutch companies in order to

protect long-term shareholder value". It intends to appoint a

member of staff whose sola

duty will be to concentrate on

corporate governance matters. He adds that in some mea-

sure, Dutch shareholders are

simply adopting a page from the textbook written by their

US and UK counterparts who

argue that active shareholders

can force complacent manage-

ments to improve performance.

turally, either shareholders or

companies are prepared to

adopt the muscular approach

to corporate governance which

has characterised US investors.

ABP, for instance, says it "does

not intend to intervene in a

company's strategic manage-

Mr Ernst Enschede, bureau

director of the Dutch Associa-

tion of Stock Exchange Listed Companies, says that the Dutch concept of the corporation will not be readily amena-

ble to too much bending of the

holders than shareholders in a company," he says. "If shareholders are unhappy, they can vote with their feet."

But if large shareholders are

unhappy with the way a com-

pany is being run, he says, it is

unlikely that management will turn a deaf ear. "Wa are a con-

sensus-driven society."

There are more stake-

ment decisions".

current structure.

But it is not clear that cul-

According to Mr Michel

panies."

rity, he adds.

MANAGEMENT

strategist at Morgan Stanley International, says this may reflect differences in accounting practices.

There is one facet of the Dutch market which may lead to underperformance. "Dutch anti-takeover mechanisms are tougher than most continental countries," Mr Davidson notes. For instance, companies are allowed to issue a block of new shares to a "friendly" company

to prevent a hostile bid.

And many shareholders are issued "trust" shares which give them economic rights but not voting rights over a company's affairs. The trusts are appointed largely by managements themselves and shareholders have no mechanism for making their views heard.

Moreover, there is no system of proxy voting at Dutch corporate annual meetings.

The Dutch finance minister

The Dutch finance minister has said that the anti-takeover mechanisms are not good for domestic industry and has proposed modifications to allow hostile takeovers in some circumstances.

But these protective mea-

But these protective measures have been in place for years. Government prodding aside, the question is why corporate governance has only now become an issue, Observers say the answer lies in the changing nature of domestic investment.

"The pension funds them-

"The pension tunds themselves haven't used their influence up until now," says Mr Robert Ten Volde, general secretary of the Association of Industry-Wide Pension Funds. But in recent years, the need to obtain higher rates of return has prompted pension schemes to diversify out of fixed-interest securities and into equities.

"Some pension schemes have 25 to 30 per cent of assets in equities and some will move to 40 per cent." he says, "Pension

#### Picking winners: Hambrecht looks to home

For Bill Hambrecht, one of California's most successful high-tech investors, life has settled into a familiar pattern, Richard Waters writes. First, he puts up the money for a new business; then, picks a moment when the stock market has whipped itself into a hymteria guarante has measure to be made in

hysteria over the money to be made in high-tech industries, and sells out. The difference this time is that the company Hambrecht is considering taking wiblic is his own.

taking public is his own.

Hambrecht & Quist is one of a handful of San Francisco banks the fortunes of which have blossomed alongside those of Silicon Valley.

Recent H&Q companies to have made a splash include Netscape, which exploded on to the stock market last year. Though, as with most other public offerings handled by a boutique investment bank, a better-known Wall Street house was in tow – in Netscape's case, Morgan Stanley. Past H&Q successes have included Apple Computer and Geneniech, the US's

second-biggest blotech company.

Hambrecht, 60, has always been more of a venture capitalist than a banker. He is said to spend most of his time marshalling investments both for the bank and his own portfolio. But the two sides of Bill Hambrecht seem to sit comfortably together. As mementos, H&Q slaps "tombstone" announcements for its deals on bottles of Cabernet Sauvignon prodoced at Hambrecht's own Belvedere winery.

If H&Q does decide to go public later this year, it is likely to mark something of a passing of the generations. It would give Hambrecht a chance to cash in some of his stock, along with the bank's other principal shareholders, who include the widow of former partner George Quist, who died in 1982.

#### Deloitte's Baltic banking rendezvous

Tony Houghton, partner at Deloitte & Touche, the UK accountancy firm, is packing his bags for Riga for one of this year's most exotic liquidation assignments — Latvia's Bank Baltija, George Graham writes.

Houghton and his colleague David

Berrey, director of Deloitte's Latvian practice, were appointed liquidators of Baltija last week by the Riga regional court. Until its collapse last year, Baltija was the biggest bank not only in Latvia but in all the Baltic republics. It is reputed to owe more than \$400m to some 150,000 creditors.



Richard Sermon: minding the European PR shop at Goldman Sachs since 1992

Putting Latvia's brand new bankruptcy law into practice should not prove too challenging for Houghton, As co-author of Deloitte's "Guide to Insolvency in Europe," he can turn his hand to the full range of bankruptcy codes

bankruptcy codes.

Houghton promises to "bring to bear the techniques successfully employed in dealing with the global asset-tracing

requirements of BCCL"

The Riga court must be hoping that the fees don't climb as high as for BCCL Deloitte has already billed nearly \$300m, while recovering \$3.3bm of assets for creditors, and is having to contest a Luxembourg report claiming it overcharged in the immediate

aftermath of the bank's collapse.

The Latvian liquidation business could be a promising sector. Alongside Baltija, nine other banks became insolvent last year. European Union advisers to the Bank of Latvia say the

number of banks is likely to halve, though the next wave of consolidation could be achieved in a more orderly way than the last.

#### Veba's Lauk cracks US accountancy code

Kurt Lauk, finance director at Veba, used to quake at the thought of having to visit Scottish Widows, the Edinburgh-based pensions fund with holds a stake in the German conglomerate, Michael Lindemann

There, Lauk says, young and "very tough" analysts used to pull apart Veba's figures and want to know the reasoning behind every move the Düsseldorf-based group made in order to justify the fund's investment.

to justify the fond's investment. market :
His Edinburgh visits should likely ta
henceforth be rather less intimidating, when he

following completion of two-year negotiations with the US Securities and Exchange Commission, as a result of which Veba has become only the second German company after Daimler-Benz to file accounts which meet the US-based Generally Accepted Accounting Principles standards.

Accounting Principles standards.

No doubt the 49-year-old Lauk picked up some of his stamina while studying theology at Tübingen University. He honed his skills at Boston Consulting.

and has been at Veba since 1992.

As to when his efforts will be crowned with a New York Stock Exchange listing, Lauk remains silent. It will only happen, he says, when Veba can accompany the listing with a rights issue so that more equity stays in the US.

That could be at any time. Veha has a 10.5 per cent stake in Cable & Wireless, the London-based telecoms group which is in merger talks with British Telecommunications. If the deal comes off, Veha is unlikely to be content with a diluted stake in a larger group, and may reach for more cash.

#### Investment banks brush up their image

It is all change at the public relations departments of the investment banks, Nicholas Denton writes. No fewer than four large institutions have been searching for new heads of corporate communications in London.

communications in London.

The number of changes reflects a combination of natural turnover and the growing importance placed by investment banks on their reputations – not just among their closest clients, but in a wider business community which is often reached through the

media.

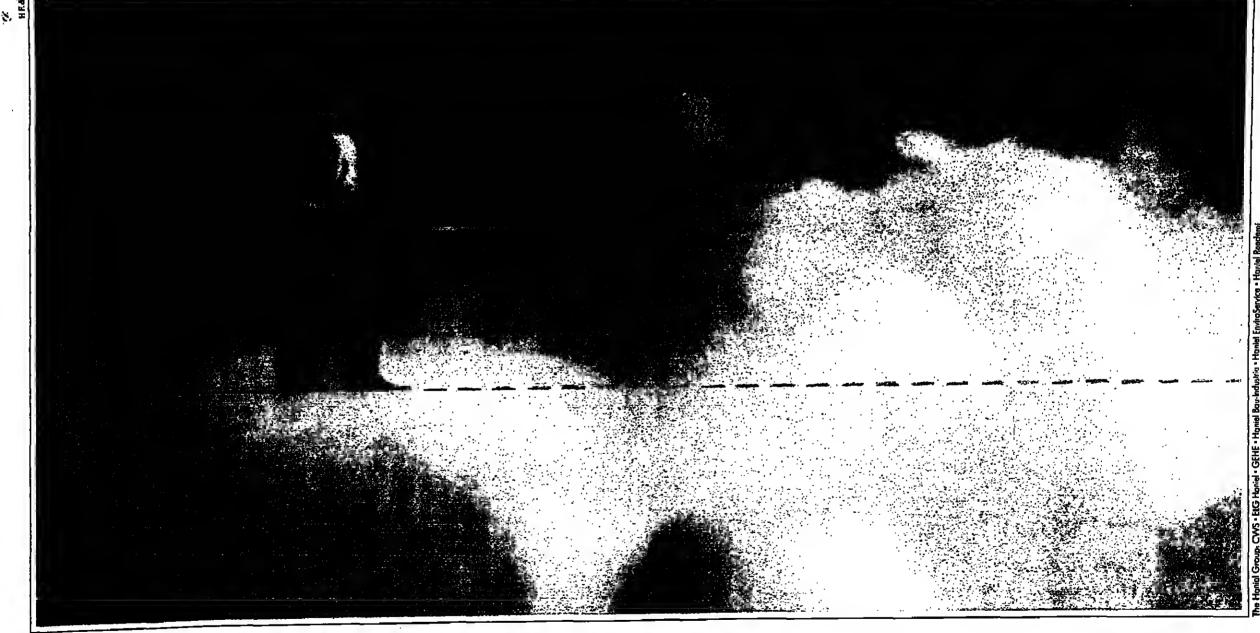
Morgan Stanley, the US investment bank, and SBC Warburg, the division of Swiss Bank Corporation, are understood to have identified outside candidates to take the positions. The appointee to the new Morgan Stanley post will report to Amelia Fawcett, an executive director.

The new head of corporate communications at SBC Warburg will replace Jens Tholstrup, who is returning to the corporate finance department from which he was plucked last year.

Meanwhile Goldman Sachs is

Meanwhile Goldman Sachs is breaking with its former practice and is discreetly looking for its first in-house head of corporate communications for Europe. The appointee would take over from a team led by Richard Sermon, on secondment from Shandwick, the British PR outlit, since 1992.

And J.P. Morgan is still in the market for a number two who would likely take over from Joe Evangelisti when he returns to the US next year.



## WE'RE WILLING TO TAKE A RISK. BUT NOT AT ANY PRICE.

Nothing ventured, nothing gained. Popular wisdom at its proverbial best. And any entrepreneur worth his salt knows that risk is an intrinsic part of business life. But

if you risk too much, it's all too easy to stumble and fall.

During its more than 240 years of corporate history.

Hamiel's approach to entrepreneurial risk has always been

marked by a strong sense of responsibility. Naturally, during our successful transformation from a trading house to a major corporation with a turnover of DM 24 billion and a world-wide workforce of 35,000 employed in production, trading and services, we've obviously taken more than a few risks. But not at any price.

We've never gone in for speculative operations, and have always sought a healthy balance between the potential risks and benefits. Moreover, we see to it that our liquidity is never in doubt. One thing's for certain: by strictly adhering to these principles, we've never once lost our balance while weighing out the risks of doing business.

## **HANIEL**

Fronz-Honial-Plotz I, D-47119 Duisburg

ING BANK At Home in Emerging and Capital Markets ING BARINGS.

Global Investor / Philip Coggan

## Against conventional wisdom

On the subject of commodities, most people's views are pretty clear cut. Raw materials are no longer a significant contributor to inflation. The experience of 1994, when a sharp rise in many commodity prices failed to feed through the production chain is fresh in most

economists' minds. The sudden surge in the gold price earlier this year bas come and gone, proving to be full of sound and fury, but signifying nothing. Commentators are even sanguine about the rise in the price of that 1970s inflationary hughear, oil, which took West Texas Intermediate to more than \$22 a

It is easy to see why the oil

over the ending of sanctions might lead to the return to the market of a main supplier.

Even ignoring the Iraq issue,

the market clearly sees the recent rise as a hlip. Oil has been in a state of backwardation for some time, the technical term for when spot prices are higher than forward prices. As Mr Keith Skeoch, chief economist at hroker James Capel, says "this has been the first time in many years that oil has followed the seasonal pattern, thanks to a comhina-

shortage of stocks." Mr Geoff Pyne, oil analyst at UBS, says there was extra demand for heating oil of 600,000-700,000 barrels a day because of cold weather in the

tion of a cold winter and a

ood contrarians should price might fall again. The US and Europe in January and motoring. The Economist community against the convenient of talks between against the convenient against the convenient against the convenient fall again. The US and Europe in January and motoring. The Economist community in Europe in January and motoring. The Economist community in Europe in January and motoring. The Economist community in Europe in January and motoring. The Economist community in Europe in January and motoring again. in-time inventories, putting pressure on supply.

Oil's effect on inflation is muted thesa days by heavy taxation, especially in Europe, which makes the cost of crude only a small component of the price at the pump. A sluggish world economy, in which producers find it hard to pass cost increases on to consumers also softens the impact.

In any case, Mr Mebdi Varzi, director of oil and gas research at Kleinwort Benson, expects the spot price to slide back to \$16-\$17 by the end of the year and to remain subdued for some time, as production hy non-Opec members continues its steady rise.

Oil is set to slip back and few other resource prices are

0.8 per cent this year. So why are some people still hullish on commodity invest-ment, to the extent that new

specialist funds are reportedly heing launched in the US? There are some technical factors. Mr Steve Strongin of Goldman Sachs in New York points out that, even though the one year forward price of oil has gone nowhere for a year, it was possible, because of hackwardation, to make profits of more than 50 per cent last year by huying the short-term forward contracts

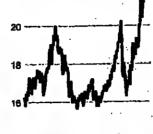
and rolling them over More fundamentally, some believe that world aconomic growth is set to rebound, particularly in the light of the monetary easing in Japan, the

US and Europe. "Current fore-casts bave the major economies at or above trend growth rates at the end of 1996, or the beginning of 1997. This would be the first time since the early 1970s when all parts of the world were growing at reasonable rates at the same time",

says Mr Strongin. Longer term, the demand for commodities from emerging markets, where economies are often growing at 6-10 per cent a year, may put pressure on sup-plies. The potential demand from China alone is likely to have massive effects on commodity markets.

The standard answer to this issue is that in the past new supply has consistently heen produced, or discovered, to meet increased demand. But maybe the picture is changing. An example could be the grain

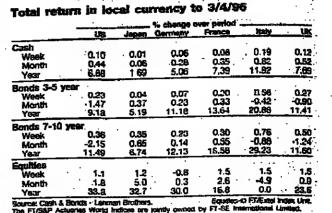
Brent blend crude, \$ per barrel



markets. There was a bad harvest in 1995 hut according to Mr Strongin, "since 1988-89, the rate of increase in yield per acre has levelled ont. The trend in demand is exceeding

the trend in production. "In previous years", he says, "if one grain had a bad year, farmers could take land out of production from other crops and switch. But that is difficult when all crops are tight."

The result bas been that



world wheat stocks are reaching their lowest levels for 20 years, according to projections from the International Grains Council. According to Datastream, the wheat price has risen hy 42 per cent, and the corn price by 70 per cent over

the last 12 months. But given the role of hedge funds, and the increasing use of commodities as a diversification play within institutional portfolios, physical demand for commoditics may be less important that speculative

The liquidity which has been flowing through world financial markets, and has played a significant part in taking the Treasury bond yield down to 6 per cent and carrying the Dow Jones Industrial average up to all-time highs, might yet flow into commodity markets. Contrarian investors could at least

COMPANY RESULTS DUE

#### Suez fails to meet previous chairman's commitment

■ Suez: The French industrial and financial holding company, will today report a 1995 net loss of FFr3.7bn-FFr4.1bn (\$740m-\$820m), according to analysts' forecasts.

The results will mean the group is unable to deliver on last year's commitment by Mr Gerard Worms, previous chairman, to achieve an "acceptable" level of earnings in 1995 after four "hellish" years of losses in the property sector.

Suez made a net loss of FFr4.8on in 1994 after taking what were then described as once-and-for-all provisions on its exposure to the property

Lehman Brothers

J.P. Morgan Securities Ltd.

Fuji International Finance (HK) Limited

Morgan Stanley & Co.

LTCB International Limited

Chemical Securities Inc.

chairman in July, Suez went on to set aside further property provisions of FFr4.1hn in its first-half 1995 accounts, leading to a first-balf net loss of

New chairman Mr Gerard Mestrallet said at the time of the first-half results that he expected the group to break even in the second half, lead-ing to a full-year net loss of around the first-half level. Analysts' forecasts are centred on this figure.

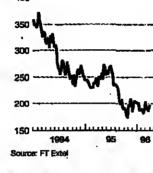
Most analysts are looking for Suez to maintain its net dividend at FFr8.2 as a mark of confidence in the future, as It dld in 1994. AFX, Paris

Fortis: The Dutch-Belgian financial services group, is expected to report on Thursday 1995 net profit of Ecu630.3m-Ecu696m (\$756m-\$835m) compared with Ecu549.1m a year earlier, according to Dutch

range of Fl 3.95-Fl 4.55 for 1995 and Fl 4.40-Fl 4.80 in 1996 for Fortis Amev, against Fl 3.80 in 1994, and BFr82-83 in 1995 for Fortis, against BFr74.25 in

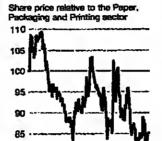
Belgian analysts said they expected a BFr11.3hn-BFr11.5bn (\$373m-\$379m) net profit for Fortis AG against BFr10.1bn in the previous year. Analysts said they expected Fortis to report net profit up 14.8 per cent at Ecu630.3m, a sharper rise than the 7-12 per cent increase forecast by the company at the time of its third-quarter report.

Analysts expected Fortis Amev's net profit to rise 11 per cent to Fl 695.2m from Fl 626.4m a year earlier, with earnings per share up at F19.65 from F18.74, and a 1995 dividend of FI 4.20 against FI 3.80. The group's life insurance activities would put in a good performance, helped by "excep-



analysts said. Non-life results would be favourable as the company has restructured its AFX, Amsterdam

■ Dewhirst International: The UK garment supplier to Marks and Spencer, is today expected to announce pre-tax profits of £22m (\$33m), giving earnings of tionally good" cost controls,



Analysts will be looking at the impact of raw material price rises on profits and an outlook statement on the likely direction of these costs this year. The unusually hot weather last summer is likely to have had an effect on demand as well as the generally weak consumer market.

Last week's \$100m issue of

American Depositary Receipts

by Euridis-Disco, an Argenti-

nian supermarket chain, fol-

lowed hard on the heels of

Quilmes Industrial which in late March raised \$166.7m with

Argentina's first equity issue

Chile's Enersis, an electricity

generator and distributor, has also raised \$111m this year.

while Mexican companies have

raised \$310m. If a \$250m issue

of mandatory exchangaable

debenture securities, a note

which has to be converted into

equities, by Nortel, the holding

company of Telecom Argen-

tina, is included, issnance

already outstrips activity for

all of last year. IFR Securities

Data lists 18 issues in 1995 for a

There are other big issues in the pipeline. Bankers in Lima

say that Peru's biggest equity

issue, the government's sale of

since August 1994.

1995

Source: FT Extel

compared with other M&S suppliers, some of whom have been forced to announce hefty restructuring charges in their



■ Alpha Airports: The loss of a flight services contract with British Airways at John F. Kennedy airport in New York last August is expected to hold back profits at the UK airline services company. Pre-tax profits of just under £21m (\$32m) will be reported tomorrow, compared with £21.4m. The City is also expecting an

of other large international

telecommunications issues

Although there was some

concern about the timing of

the issue, developments over the past few weeks make the

issue more rather than less

likely to take place on sched-

ule. Last week's resignation of

Mr Dante Córdova, the Peru-vian prima minister associated

with the more populist wing of

Mr Alberto Fujimori's govern-

ment, should reassure foreign

investors about the administra-

tion's economic direction. Iron-

ically, earlier concerns about

government divisions appear

to have helped the privatisa-

Bankers say these worries

help explain a fall of some 15

such as Deutsche Telekom.

upbeat statement on DynAir, levels will also be examined for the US aviation services group

■ Yule Catto: The UK chemicals and building products group, is expected to announce pre-tax profits of £35m (\$53m) tomorrow, giving earnings per share of 20.3p. Analysts will be looking to see how the group has weathered raw material price pressures which have been experienced by the sector. At the interim stage, the group said it had been able to pass on most of its raw material costs and offset margin squeezes with strong sales growth.

expected on Thursday to announce annual pre-tax profits at or slightly below last year's £20m (\$30m). In a December defence document against the Kvaerner bid, it said it expected to make £20m, but the costs of fighting off the bid may have hit that. Demand

\$1.5bn suggested earlier.

The Peruvian programme to

raise funds from retail and

institutional investors is now

expected to raise between

\$200m and \$300m, reducing the

amount being sought in inter-

national markets possibly to as

little as \$1bn. Bankers say that

global coordinators - Merrill

Lynch and JP Morgan.

together with Peru's Banco de

Crédito which will handle a

domestic offer - are confident

they can raise these funds in

one operation. About 70 per

cent of the international

trancha is expected to he

Despite this, there are still

some grounds for caution. The

depositary receipts of Quilmes,

the first Argentine issuer to

come to the markets since July

placed in the US market.

the effect of de-stocking by customers. Amec is expected to rebound in 1996, with profits reaching £35m or higher, as it has restructured its housing wing and settled the lossmaking Tiffany oil platform

■ Nurdin & Peacock: The UK cash and carry operator, will report profits on Thursday of £19m-£20m (\$30m). This is in line with the profits warning in February, when Mr Nigel Hall, the finance director. resigned after losing the confidence of the board. In 1994, profits halved to £16.5m after exceptional charges. The share price has been supported by bid speculation for at least a year. Booker, which has 23 per cent of the market compared with N&P's 17 per cent, said last month that one or more of its cash and carry competitors would disappear over the next

April 1996

US\$500,000,000



## The Export-Import Bank of Korea

63/4% Bonds due February 15, 2006

CS First Boston

Sakura Finance Asia Limited

Italian Lira 250 Billion

Coupon No. 12 due from February

TTL 236.979, per ETL 5.00011001

SANPAOLO BANK S.A. Agent Bank

NIPPON KINZOKU CO. LTD USD 100,000,000, -Guaranteed FRN DUE 1998 INTEREST RATE: 5.73594%

Par USD 186,000. - NOTE: USD 1,446.92

per cent in the prices of both the Lima stock market as a 1994, were sold at a 12.5 per whole and Telefónica shares cent discount to the group's since early February. underlying share price, while the coupon on the Nortel con-In turn that has reduced govachieved in 1993.

1996 to August 9, 1996 will be payable starting August 9, 1996 at the rate of 9,375%

In light of the ongoing success of the exploration programme on Gold Fields Ghana Limited's Tarkwa concessions, Gold Fields has agreed to the Ghanaian Government's request to advance the date for additional Ghanaian equity participation, which participation was catered for in the original agreement between the parties. In terms of this agreement, Gold Fields will own 70 per cent of the equity of Gold Fields Ghana Limited; the Ghanaian Government and Social Security and National Insurance Trust (SSNIT) will now hold a combined total of 25 per cent of the equity. SSNIT will hold 15 per cent of the equity and the Government will continue to hold its original 10 per cent of the equity which in this latter case is non-contributory.

The Ghanaian Government has agreed with respect to operations in the Tarkwa concessions and Abosso deeps that this constitutes complete and final discharge of Gold Field's obligations with respect to both Ghanaian participation and the Government's right to take up equity in terms of Ghanaian law including the minerals and mining laws.

Gold Fields Ghana Limited has drilled out a measured surface mineable gold resource of 13 million ounces and following the favourable results of the pre-feasibility study, a full feasibility study has been commissioned for completion in 1996.

**Johannesburg** 

9 April 1996

Salomon Brothers Inc.

Nomura Securities International, Inc.

Merrill Lynch & Co.

Deutsche Morgan Grenfell

SBC Warburg

Korea Associated Securities Inc.

Traders hop

Cocon truck

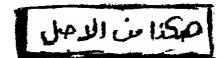
A rush of Latin American issues atin American companies are its 29 per cent cent stake in ernment expectations about vertible was also higher than

taking advantage of the increased investor enthusiasm place before the end of June, for emerging markets.

Telefonica, is on track to take the amount that can be raised, market talk had indicated. Investor demand for new issues is still coming mainly from specialist Latin American funds, rather than the broader group of investors, including US mutual funds which plunged into the market in 1993 and 1994. And even these specialists investors are more wary than they were. "Investors are very cautious

about increasing their exposure. A lot of people were burned big time in 1994 and are sceptical about dipping their toes into the water," says one New York-based syndicate manager. He adds that apart from Telefonica and the Brazilian Companhia Vale do Rio Doca, the Brazilian mining giant which could come to the market this year, deals of \$100m-\$150m are likely to be the norm for Latin issues.

He predicts a likely overall issuance from Latin America of no more than \$2.5bn, a long way short of tha \$6hn-plus



# No. Sally

#### **MARKETS:** This Week

20 .25

UK

7.50

1,860

Benchmark vield curve (%)

FT-SE-A All-Share Index:

governor of the Bank of

England, and Kenneth Clarke,

chancellor of the exchequer,

brought no policy change and

many in the market believe

be cut further.

interest rates are unlikely to

Gilts, which recovered late

last week from the aftermath of the BSE scare, are unlikely

to be helped by the south-east Staffordshire by-election,

which is expected to result in

candidate and reduction of the

defeat for the Conservative

government's parliamentary

## NEW YORK By Richard Waters

After the pounding induced by last Friday's employment figures, and ahead of news of an expected pick-up in inflation, US financial markets are likely to remain in distinctly jittery mood.

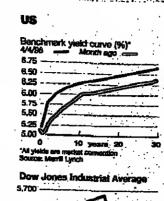
G. r-

It was the bond market's reaction to employment growth in March – as much as the growth itself – that seems to point to further pressure on fixed income prices. While non-farm payrolls grew, on average, by more than 200,000 in each of the first three months, the increase was less than in the first quarter of 1995. Other indicators, such as hours worked and earnings growth, seemed to point to more modest economic growth.

If the bond market bears are back in the ascendant, they are likely to have more data to feed their pessimism late in the week. A rise in energy and food prices is expected to have boosted both producer and

consumer prices during March. Most Wall Street economists expect March's producer price index, due on Thursday, to register growth of 0.4-0.5 per cent, or 0.1-0.2 per cent excluding the food and energy components. The consumer price index a day later is expected to show a rise of 0.4 per cent (or 0.3 per cent without food and energy.)

March retail sales figures, also due on Thursday, will also be closely watched, after



5,650

Fabruary's 0.8 per cent jump. the mood in the bond market, their attention will begin to take in corporate earnings with the advent of the first-quarter results season

Scorpe FT Staff While stock market investors are likely to remain fixated by The recent stirrings of renewed economic growth are generally expected to feed through into higher corporate earnings only in the second half of the year.

Meanwhile, most companies.

particularly those in cyclical

industries, are expected to

register little profit growth.

LONDON: By Philip Coggan Takeover talk returned to bolster the equity market in the approach to Easter, helping the FT-SE 100 index climb back above 3.750 and the Mid-250 to record four successive all-time peaks.

The market will be keen this week, as the new tax year starts, for some of the talk to turn into hard cash. Some of last week's bid candidates. such as Pearson, the media group which owns the Financial Times, have been through the rumour mill before.

Dealers were suggesting last week that heavy programme trades would be generated as institutional investors adjusted their asset allocation at the start of the new tax year and invested the personal equity plan money which normally flows in before April 5.

With few corporate results being published, attention is likely to be focused on macro-economic factors. Equities and gilts will have the chance to respond to Friday's strong US non-farm payroll numbers, which were published when London was

In domestic terms, the important data is published today, with details of February industrial production and manufacturing ontput expected to reveal a modest rebound. Last week's meeting between Eddie George,

#### FRANKFURT By Wolfgang Munchau

The optimism of the last few weeks appears to have disappeared as analysts and commentators warn that the descend.

most interest will focus on Daimler-Benz, the automotive group which this week will hold its annual news conference to explain in greater detail why it lost DM5.7bn (\$3.8bn) in 1995 and why it expects to a make a substantial profit this year. The week is unlikely to see Easter mode until the end of the week, with the customar

Among German corporates,

In the meantime, there is likely to be more bad economic news, at least in headline terms, with the forthcoming

Germany

7.00 ---

6.00

500

4.00

DAX Index

2,505

Benchmark yield curve (%)\*
4/4/98 — Month ago ==

release of the unemployment

which hit a record of 4.3m in

February, to rise again, while

although this figure attracts

data for March. Forecasters

expect the headline figure.

unemployment might fall,

between vilances

itself.

DAX share index has reached a plateau from which it can only

The index has hovered around the 2500 mark for some time, and with thin trading during the long Easter holiday season few observers expect the stock market to move much in either direction. Surveys show that a growing number of analysts believe the DAX may be close to its peak for the year. There is even talk among some analysts that the chemical sector, a spectacular performer so far this year, may be due for a revision.

much interest rate speculation, as the Bundesbank remains in rhythm of fortnightly council

until next week.

meetings not due to resume

#### TOKYO By Emiko Terazono

Tokyo's financial markets have become increasingly sensitive to news of rising interest rates at home and overseas and stock and bond prices are expected to be influenced particularly by the economic outlook in the US.

Japanese shares are

vulnerable to a rise in US interest rates since US pension funds have been active boyers of Japanese shares. Meanwhile, a rise in Japanese short (erm rates would also prompt turmoil since US hedge funds are investing money in international financial markets by borrowing yen and changing them into dollars Although comments last week by Mr Yasuo Matsushita, governor of the Bank of Japan, were interpreted by market

participants as a move to pave the way for higher interest rates, most investors do not expect the central bank's monetary policy to change immediately. Recovery in the manufacturing sector remains fragile while problems in the banking sector are expected to drag on. The demand and supply

little attention inside Germany trend, meanwhile, is likely to be affected by a move towards Last week's news of a fall in stock investments by domestic institutions. "The assetindustrial production in February confirms what allocation pendulum is about everybody knew anyway: the to swing back in the direction of stocks because the over-German economy contracted during the first quarter of the weighting of stocks at several classes of institutions appears

Benchmark vield curve (%)\*

Nikkei 225 Average 21600 -21450

to have come to an end," says Mr Marshall Gittler at Merrill Lynch in Tokyo.

Life insurance companies, which have been the leading buyers of boods in the past two years, have drastically reduced their allocations. However, the allocation at the start of the new business year may trigger a short-term rally this month as pension funds and other domestic institutions place new funds. Buying by the finance ministry's trust fund bureau may also give the bond market a brief boost.

#### COMMODITIES By Richard Mooney Cocoa traders look for demand

The renewed strength of the cocoa market just before the Easter break could be given a fillip today or tomorrow when German and UK first-quarter bean grindings figures are

Last week's price rise, which pushed second position futures at the London Commodity Exchange through the £1,000-atonne barrier, was belped by oews of a 10.46 per cent rise in Dutch January-March grindings, compared with the same period last year, to 100,866 tonnes, at the top end of the

forecast range. The German grind is expec-Ited to be little changed, so any substantial rise could help to give renewed impetus to cocoa's rally, which flagged

The second of th

Thursday, Dealers have predicted a 10 per cent year-onyear rise in the UK figure, so anything in excess of that would be helpful.

 Other events this week include the publication today of the Australian Bureau of Resource Economics' forestry statistics.

Tomorrow London Metal Exchange traders will be looking out for the International Primary Aluminium Institute's February stocks statistics. On Thursday the four-day

International Rubber Marketing Conference will begin in Phuket, Thailand.

Next Sunday sees the open-ing of Metal Bulletin magazine's 9th International Copper somewhat in late trading on Conference in Salt Lake City,

Utah, Delegates at the threeday event will be boping to bear something to change the somewhat bearish perception that has developed around the copper market of late. As LME warehouse stocks have continned to rise and the nearby supply tightness that had been propping up copper valoes has eased, analysts have generally come to take a downbeat view

prospects. Last week's slide in LME copper prices was halted on Thursday, but traders told the Reuters news agency that the modest upturn reflected preholiday book-squaring and saw the move as temporary correction in an over-sold market that remained in a longer term downtrend.

of the industry's price

#### OTHER MARKETS Compiled by Michael Morgan

#### PARIS

majority to one.

While the equity market has been showing all the signs of coming to life with the spring, some observers continue to worry about the state of the economy, writes John Pitt.

Recent data, notes James Capel, hints "that the worst of the country's growth pause may be over". The data suggests that business confidence is picking up, while manufacturing output is also improving. Also indicated is a trend that the pace of increase in memployment might be fall-ing once more. "Further pointers to the worst being over," says Capel's economics team, "are a possible bottoming out in the OECD's leading indica-tor for France, and a pick-up in M1 growth. Although the recent indicators have presented a more upbeat picture. they do no more than support

our soft 1.2 per cent growth forecast for 1996. The indicators are not consistent with the economy taking off like a rocket, and the picture will continue to be one of rising unemployment and an overshooting budget deficit, leaving the franc vulnerable."

ZURICH Full-year results on Wednesday from Crossair, the regional airline subsidiary of Swissair, will keep attention focused on the national flag carrier. Swissair's registered shares rose 60 per cent in the first three months of the year before pausing for breath in the last week of March. Last Thursday, they were up again, jumping 4.7 per cent in response to the company's announcement of a higher than expected rise in operating profit, but also a much larger than expected restructuring provision. UBS's response to the result was to confirm its buy recommendation and to raise its 1996-98 earnings forecast. The bank noted that the SFr340m (\$284m) charge for cost cutting and profit improvement measures over the next 21/2 years were taken as a one off, which contrasted with Swissair's previous accounting policy. But it added that the provision should have a pay-back period of two to three years and result in an increase in earnings before interest and taxes of

UBS will also be in focus on Wednesday as the bank meets financial analysts and the press, before its annual shareholders meeting next week. However, hopes that the bank might be moving towards some accommodation with Mr Mar-

tin Ebner, bead of the Zurichbased BZ banking group, and a fierce critic of the bank's management and performance, were dashed last week with a further volley of shots from both sides. Mr Eboer, who is fighting a legal battle to stop UBS introducing a single bearer share structure, reiterated that he would oppose the election of Mr Robert Studer as chairman of the bank, Mr Studer said that the profit maximising strategy proposed by BK Vision was short sighted, and would lead to UBS's failure.

#### **HONG KONG**

Brokers are bracing themselves for a potential sell-off today after Friday's release of US jobs data, writes Louise Lucas. When strong employment figures were reported in the US last month - which

suggest a growing ecocomy and a reduced likelihood of a cut in interest rates - Hong Kong's beochmark Hang Seng index shed 820 points.

A cut in interest rates in Hong Kong - whose currency is pegged to the dollar - would spur the moribund property market and this would feed through to the stock market, which is beavily exposed to

properties. As the recent round of corporate results showed, internal incentives to buy are limited. While earnings continued to grow in double digits, an increasing number of blue chips relied on ooe-off excep-

tionals to boost earnings. Hongkong Telecom, majority owned by Cable & Wireless, is expected to remain a focus of attention as its parent's merger talks with British Telecommunications continue.

## Traders hope for more activity after quiet quarter

Traders will return to their desks this morning hoping that the second quarter will offer more volatility than the unusually quiet first quarter.

155UCS

44

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the end of the Japanese financial year, and the March US employment report. Both have now come and gona, and excuses are running thin for the absent dollar rally.

in recent weeks, the market has had two items to focus on:

FT GUIDE TO WORLD CURRENCIES

THE PERSON NAMED OF THE PE

The week will doubtless start

with traders trying to assess the foreign exchange implications of Friday's stronger than expected US payrolls report. It has set back the prospect for lower interest rates, but given that the dollar has now decoupled from the bond market, the currency implications

are unclear. Options market activity suggests that the market still believes the dollar is more likely to break up than down,

but the trigger for such a move for dollar bulls: 73 per cent of and retail sales figures. is not yet apparent. One old market sage believes that in the past, such periods of calm have never lasted beyond the second week of May.

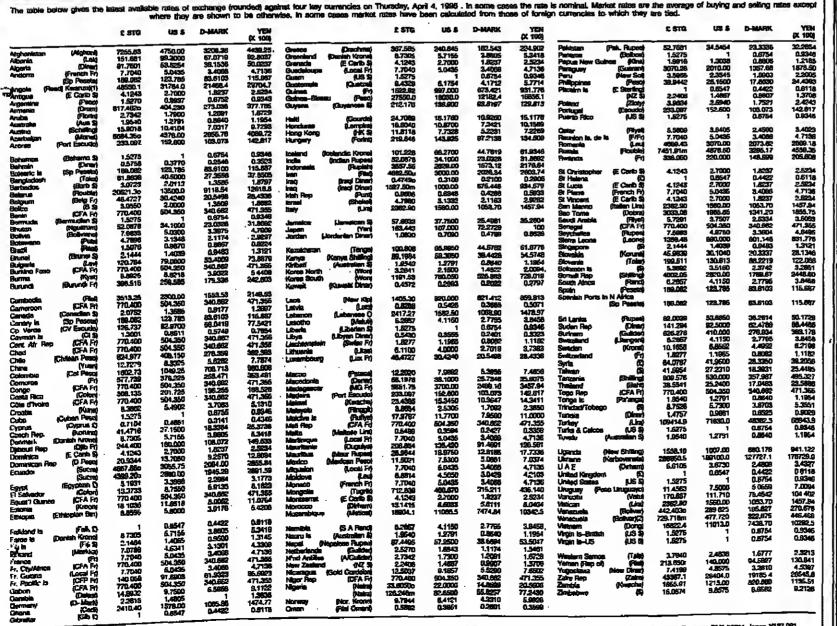
A survey last week by the financial consultancy IDEA found that the median forecast for the dollar against the yer in two months time was Y109, the highest reading in more than two years. The survey contained further good news

respondents believed investors and customers to be underweight in the D-Mark. The last such reading was on January 27 1994: two weeks later the dollar reached a significant high of DM1.7685 against the

In terms of data, dollar watchers may well focus on the Japanese current account figures rather than on the US inflation

In Europe, the meeting of the Bank of France council on Thursday could result in an interest rate cut. The franc is at its highest level against the D-Mark in two years, so that would not present an obstacle. In the UK, meanwhile, the by-election on Thursday could cause some jitters in sterling markets, given that it is likely to result in the government's

#### TARGET SECTOR VALUE COMMENT Mr Davidi Gilo (US) Schex Corp (Israel Printing \$8560 Unwanted offe products Mettier Toledo (US) Ciba disposa egulpment Ashanti Goldfields IGR (Canada) \$100m Agreed bid IoM Steam Packet Co. \$71m Sea Containers (Bermuda) Transport Cash/paper deal bld MasTec (US) Sintel (Spain) Telecoms \$40m Telefónica. KPN (N'lands) Coventry Cable (UK) consolidati



weg regree very a property of the context cate (a) Currency fixed against the US Dollar (v) Fleeting size (1) Angolin Readjusted Kresson described on 45966. (2) Ventousies in the Free late; (vi) Market late; (vi) Critical cate; (vi) Parallel rate (i) Parallel rate (i) Currency Cate Context late; (vi) Market late; (vi) Market late; (vi) Parallel rate (ii) Currency Cate Context late; (vi) Market late; (vi) Parallel rate; (vi



investment isn't easy. But the right ream can certainly make it look that way.

The right team is Hill Samuel. Managed by Phillipa Gould, the

Sunday Telegraph's 1994 Fund Manager of the Year, both out Japanese General and our Japanese Technology trusts have preven to quartile sector performance. Not 5 years\*. For further information on how

your clients can take advantage of Our investment skills, call John Curry of our Broker Support Unit on 0800 122 133.



EMERGING MARKETS By Vincent Boland in Prague

## Czechs plan tighter bourse rules

A curious advertisement appeared in a Czech newspaper last month, in it a Russianborn "financier", Mr Alim Karmov, informed more than 2,000 customers of his Prague-based Futurum Aurum investment house that he had "cheated" them out of nearly \$5m of their savings, and begged their for-

He also asked them for extra funds to allow him to recover what had been lost.

In the days that followed hundreds of customers, many of them elderly, crowded into Mr Karmov's office demanding their money back. The handsome young entrepreneur, who does not speak Czech, assured them through an Interpreter that he would recover it, hut that he needed more of their money to do so.

Meanwhile, the Czech finance ministry, guardian of the country's fledgling and chaotic capital markets, looked on in bewilderment. The head of the ministry's market supervisioo section said there was no evidence that Mr Karmov had committed fraud, even though he had admitted as much in the advertisement. Eventually, the sight of weeping pensioners forced the ministry to intervene and to assure Futurum's clients that they would not be left penniless. Mr Karmov's activities were also

In fairness, this kind of thing does not happen every day in

World (395) .

Latin America

Argentina (22) Brazil (23)

Latin America (

Portugal (20) Turkey (26) South Africa (32)

Ешторе (96)

Korea (23) Malaysia (24) Pakistan (14)

Philippines (14) Thailand (25)

Asia China (24)

Chile (16)

4/4/98

128.56

46.21 151.22 134.03

the country's capital markets. But the slow response of the authorities to what many commentators considered an obvious case of fraud seot a fresh chill through the spines of wary investors on the Prague hourse, where the sharks have taken to feasting on the minnows.

Enter Tomáš Ježek, an expansive, burly member of parliament and an architect of the mass comon privatisation programme that has made the Czech Republic perhaps tha higgest share-owning democracy in the world. Mr Jeżek took over last week as chairman of the Prague stock exchange vowing to clean up the market and make the world safe for minority shareholders, whether they be pensioners or portfolio managers

Mr Jeżek was appointed to the post - indeed, he was the only serious candidate - on the strength of his claim to be the champlon of the small His trump card was a pack-

age of new rules for regulating the PSE, which he was instrumental in drafting and which are expected to be approved by parliament by the end of April. The reforms seek to curb the widespread insider dealing and misleading trading and price data that have

dogged the PSE's development,

by setting new rules for the

conduct of large investors in

areas such as disclosure

+0.54

-2.43 -7.78 -12.50 -9.50 +6.13 -44.91 -1.38

ING BARING SECURITIES EMERGING MARKETS INDICES

+0.85

+0.50 -2.72 -0.77 +0.51 +24.10 +0.41

and the obligatory bny-out of minority shareholders. Among the more important changes, an investor who

acquires 50 per cent or more of a company must offer to buy out other shareholders; twothirds of shareholders in a company must approve its delisting from the market; and an investor must disclosa the size of any stake bigger than 10 per cent as well as notifying every change of 3 percentage points or more in

Investors have said the reforms, which are expected to be spproved by parliament and help ease concerns about the fairness of the market.

In particular, it is hoped the new trading environment will persuade institutions, such as western pension funds, to invest in Czech stocks, which should boost share prices. Mr Jezek has the backing of

many of the PSE's independent hrokers and foreign portfolio investors for his campaign to regulate the market. But he is likely to find enforcement of the new rules more difficult than their drafting, although as the bourse's first full-time chairman he will be in a strong position to try.

Enforcement is the key to the success of the reforms, hut there is no guarantee that it will be forthcoming. Mr Vladimír Rudlovčák, deputy finance minister in charge of capital

Year to date mov

+12.03

+15.83 +5.20 +2.67

+9.22

-0.67 +23.27 -24.45 -5.74 +9.05 -24.32 +6.70

+5.89 +12.57 -2.88 +31.05 +6.38 +40.50 +13.10 +3.49 +16.67

markets, said the ministry was planning "no snbstantial" strengthening of its market snpervision section, which has been sttacked for lax monitoring, to ensure greater enforcement.

The supervisory section currently has 65 people overseeing a fast-developing market, but few of them have any real experience of capital markets operations. The ministry has rejected, at least for the moment, the creation of an independent market watchdog modelled on the lines of the US securities and exchange commission - to monitor the activities of 450 investment funds and thousands of individual investors and portfolio

Mr Rudlovčák said the rules expected in July would "take a year to absorh", after which the ministry might reconsidar setting up an independent market watchdog. He also said he disagreed in principle with aspects of the package, especially the rule on buying out minority shareholders, which he said could prevent a consolidation of the PSE's 1,800

That view is not widely accepted. Ms Petra Wendelova. vice-president of investment banking at CS First Boston in Prague and an adviser to Mr Jeżek on the reform package, said the new rules "will not have any drawbacks for either hauidity or ownership restructuring In the market".

Bankers say the current lack of adequate supervision is hurting Czech shares, Mr Zdenek Bakala, chairman of the investment bank Patria Finance, said thet despite a better economic environment, Czech stocks were underperforming those in Poland and Hungary by a factor of three or four because of the market's structural problems.

In addition to regulation, Mr Bakala said, the exchange also needed to tackle misleading price data, which suggests the widely-quoted PX50 index of leading shares may also be an inaccurate barometer of market activity.

"Nobody trusts the stock exchange prices and the index suffers from this. It is based on figures that are dubious," he said.

COMMODITY

FINANCE

US\$205,000,000

Co-Arranger /

Agent Bank

IICG, Bahrain

**EQUITIES** 

**PORTFOLIO** 

## Convertible issuance pace

INTERNATIONAL BONDS By Samer Iskandar

## begins to accelerate

The pace of convertible bond issuance accelerated sharply in the first quarter of 1996. According to IFR Securities Data, 62 deals worth \$10.83bn were issued in ths intarnational marketplace, compared with 24 issues amounting to \$1.81hn in the first quarter of last year and a total of \$17.82bn in 1995.

"Market sentiment was at its lowest in the first quarter of 1995. Issuance only picked up after traders became convinced that the bear market was over, and this took a few months," said one strategist.

In January, analysts had anticipated the resurgence of equity-linked bond issnes, citing favourable market conditions. Record lows in bond and equity yields were seen as encouraging factors for borrowers, while investors songht guarantees on their capital after the substantial gains achieved in 1995.

"Stock markets were looking over-valued. Investors were seeking huying opportunities, hut demanded downside protection without having to give-up potential gains," said a syndicate manager at a US investment house. Meanwhlle, several

large-scale redemptions of convertible bonds - including early retirement of callable paper - injected liquidity into the already cash-rich market. Modifications in the structure of recent deals reflected a shift in the requirements of issners. For example, conversion of the

bonds into the underlying

shares was made mandatory In

Convertible bonds Other

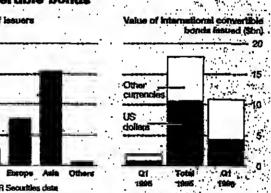
some recent issues, such as Tokai Bank's Y100bn deal and Nortel's recent \$250m issue. The latter, convertible into shares of Telecom Argentina, is the first Latin-American issue of mandatory exchangeable securities and mandatory only the second convertible issue In the region.

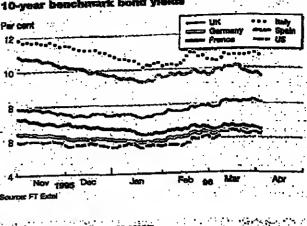
"This typs of structure guarantees the timing and the amount of the capital input, said an analyst. The added certainty means the funds thus raised can qualify as tier-one capital. Large banks are therefore expected to be the most frequent issuers in this sector, in order to boost their capital adequacy requirements. Issuing mandatory exchangeable notes could also become an interesting alternative to block-trades for diversified groups looking to spin-off non-strategic activities.

Mandatory conversion is not new: it has been used successfully for many years in the Japanese and US domestic markets, where several liquid iasnes are traded. But evar-increasing funding requirements, notably in Japan, hava recently led issuers to start looking for new sources of capital; thus the incursion into the euromarket.

Elsewhere, Rabobank pioneered a "niche market" in January by issuing the first guilder-denominated convertible honds whose redemption price is linked to a stock market index, in case the holder decides not to convert to the underlying shares. The issue was followed last

month by a similarly-





INTEREST RATES AT A GLANCE 3.00 3.25 3.25 3.37 5.13 8.40 3.93 4.63 4.25 5.73 8.58 9.75 9.45 10.08

structured deal for Nederlandse Gasunie. The combined amount of both issues, Fl 400m, is modest but the transactions helped to confirm the existence of demand for such products. In addition to the guarantee on the initial capital and a coupon yield of between 4 and 41/2 per cent, what attracted investors to these deals was the chance to henafit from the performance of the index, should the individual share

underperform the market. Although this market segment is likely to remain marginal, Rabobank says that "there is room In the domestic market for another couple of

Analysts agree that a shift towards more complicated structures in euro-convertible bonds is taking place, but some believe it might be just a passing fad". While this trend allows deals to match borrowers' needs more closely. some market professionals point ont that "exotic" structures - in particular mandatory exchange - favour issuers to the detriment of investors, and warn that buyers could be driven away from the segment.

The more we complicate a deal, the more we reduce the investor universe," said a continental Enropean syndicate manager. "Some of them [investors] bought into these deals reluctantly," said one trader, "because liquid issues are scarce in the secondary market."

According to the head of syndication at an American investment bank, "many existing deals are now out of the money and behave like straight bonds. Dedicated convertible funds look for bonds with a conversion

find on the secondary market. He belleves the last three months offered "exceptionally good market conditions, which allowed issuers to obtain advantageous terms", but fears that "we might be getting near the peak".

Signs of slowing investor appetite have been clear in the past few weeks. An issue of Deutsche Finance bonds convertible into shares of Alllanz was oversubscribed last week. according to market sources. compared with a FFr3bn issue by Lyonnaise des Eaux which was more than 10 times oversubscribed a few weeks earlier.

Furthermore, most recent issues have shown poor performance after their launch. The Deutsche Fluance paper was trading below its issue price at the end of last week and TB Finance's honds convertible into shares of Tokai Bank slipped to 99, a full percentage point below their initial price, despite generous pricing at the cheapest end of the range announced by the lead manager

The relatively cool reception observed on some of the latest issues is only one symptom of the possible weakening of demand, Heavy supply, expectations that monetary easing is coming to an end in Europe and the US, and revisions to bullish anticipations on stock markets are bound to make investors

2.00 0 - 0.00

M RETURN

more selective in the future. If these market trends are confirmed, "only the strongest names will be able to issue successfully", predicted a syndication official, "and over-complicated deals imposing excessive restrictions on the holders are not likely to premium in the 10 to 40 per see much demand".

## © IICG Bahrain

**AVIATION FUEL** 

**FINANCING** 

US\$25,000,000

Arranger,

**EQUIPMENT** 

LEASE

FINANCING

US\$45,000,000

Structuring

Advisor, Agent &

Lead Manager

IICG, Bahrain



AIRCRAFT **FINANCING** 

US\$ 15.000,000

Arranger & Agent Bank IICG, Bahrain

**EQUIPMENT** 

**FINANCING** 

US\$250,000,000

Arranger,

Agent Bank &

Lead Manager

IICG, Bahrain

Agent Bank & Lead Manager IICG, Bahrain

BAI SALAM FINANCING

US\$50,000,000 Arranger,

Agent Bank & Lead Manager IICG, Bahrain

**EQUITY** PLACEMENT & UNDER-WRITING

Japan Power Gen. Ltd., Pakistan Lead Manager & Global-Co-rd. IICG, Bahrain

MANAGEMENT US\$80,000,000

Fund Manager IICG, Bahrain

US\$53,000,000 Structuring Advisor,

Arranger

IICG, Bahrain

**EQUITY** 

UNDER-WRITING

Malaysia

US\$75,000,000

Indonesia

US\$50,000,000

IICG, Bahrain

ECA FINANCING

**EQUITY** UNDER-WRITING UK £7,000,000 Germany US\$35,000,000 Spain

US\$10,000,000

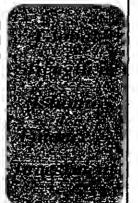
IICG, Bahrain

**FINANCING** 

**NATURAL GAS** US\$65,000,000 Structuring Advisor, Agent &

PRE-EXPORT / **IMPORT** FINANCING US\$640,000,000

Co-lead Manager IICG, Bahrain



#### Islamic Investment Co. of the Gulf (Bahrain) E.C. INVESTMENT BANKERS

Lead Manager

IICG, Bahrain

P.O. Box 11454 - Manama - Bahrain - Tel: (973) 536100, Fax: (973) 536206

A subsidiary of Dar Al-Maal Al-Islami Group

2.716 3.002 4.035 4.035

#### Commerzbank AG

has sold 2.066.500 shares in



THYSSEN AKTIENGESELLSCHAFT

for a consideration of DM 575 million.

These shares were distributed to investors worldwide by Commerzbank AG and UBS Limited.

COMMERZBANK **AKTIENGESELLSCHAFT** 

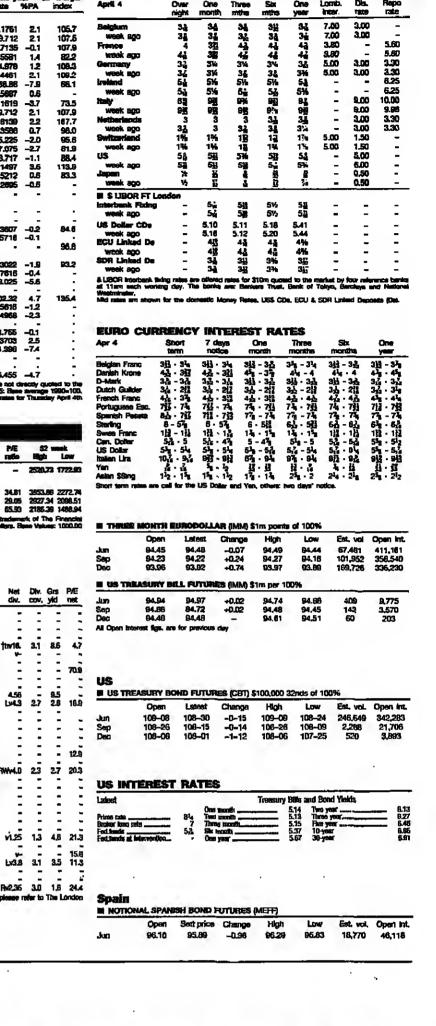
**UBS LIMITED** 

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FINANCIAL TIMES TUESDAY APRIL 9 1996 **CURRENCIES AND MONEY** -0.0317 977 - 156 -0.1144 339 - 857 -0.0164 230 - 233 -0.0156 689 - 930 -0.0118 061 - 142 -0.0044 610 - 631 -1.061 957 - 350 - 698 - 706 +0.04 711 020 -0.1144 339 - 857 -0.0057 248 - 272 -0.0042 330 - 109 -0.505 774 - 005 -0.233 240 - 440 +0.0021 628 - 867 15.9742 15.8962
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A new Euroyen hedge is coming. Watch this space.



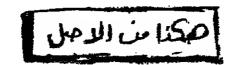
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EGAL NOTICE





#### **WORLD STOCK MARKETS**

## **US** equities react gloomily to jobs data

#### Wall Street

US shares tumbled in early trading as the bond market propped for a second consecutive session following surprisngly strong figures on March imployment growth released on Friday, writes Lisa Bransten

The Dow fell from the opening minutes of trading following Friday's drop on the bond market. The equity market was closed on Friday.

Six minutes into the session the Dow Jones Industrial Average was off more than 50 points, triggering the "uptick rule" that restricts program selling. Options on the Standard & Poor's 500 were more than 12 points lower before the cash market opened, meaning shares in that index did not trade for the first five minutes

At I pm the Dow was off 134.76 at 5,548.12, the S&P 500 had lost 17.33 at 638.53 and the American Stock Exchange composite slid 9.26 to 567.84. The Nasdaq composite shed 22.55 to 1.095.66. Volume on the New York SE came to 237m

The benchmark 30-year Treasury slipped nearly 2 points in e half-day session on Friday. Yesterdey the long bond gave up 1 of e point by early afternoon, bringing the yield to Consumer goods companies.

which are thought of as safe havens in times of slowing economic growth, were among the hardest hit sectors. The Morgan Stanley index of consumer companies shed 2.5 per cent. while the counterpart index of cyclical shares was off 1.7

Falling consumer shares in the Dow included Procter & Gamble, \$2% lower at \$84%. and McDonald's, off \$1% at \$47%. Philip Morris was \$2% weaker at \$89% and Sears Roebuck shed \$1% to \$46%.

Shares in interest rate-sensitive financial groups were also hit badly. Chase Manhattan Bank fell \$31/2 to \$69%, Citicorp lost \$2% at \$78% and Wells Fargo shed \$9% to \$250.

The only company to post a gain on the Dow was Aluminum Company of America which reported stronger than expected first-quarter earnings on Thursday. Shares in the company added \$1% at \$63% after Alcoa put its earnings at \$1.01 per share, weaker than the \$1.08 it earned in the first quarter of last year but above expectations of 92 cents.

#### Canada

The equity market in Toronto was paying close attention to the situation on Wall Street, The TSE 300 composite index was down 65.40 at 4.951.00 by middey, although dealers pointed to the fact that there was very little volume.

#### Latin America falters

reacted to the Wall Street fall with steep early losses.

or 2 per cent at 3,021.91. Volwith 33 issues falling and only

one, Crupo Mexico, gaining. The biggest declines were those issues with ADRs traded Televisa and Telmer L shares.

NATIONAL AND REGIONAL MARKETS

Figures in peremiseus show number of lines

Belglum (34) ...

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ISSUES

sharply lower in the first hour of trading and by midsession the Boyespa index had weakened 1,387.73 or 2.8 per cent to

There was a similar story in

#### **ASIA PACIFIC**

## Nikkei off 1.3% as investors play waiting game

#### Tokyo

Fears of higher US interest rates triggered profit-taking and the Nikkei average closed 1.3 per cent down, writes

Emiko Terazono in Tokyo. The 225-share index lost 271.60 at 21.424.24 after touching 31,398.11 and 21,685365. A decline in futures prices prompted arbitrage selling, while profit-taking, following the Nikkei's rise to a four-year high on Friday, also depressed share prices. Friday's rise in US bond vields also alarmed investors since US pension funds have been a driving force behind the Tokyo stock market's climb this year and an interest rate increase could

squeeze the fund flow. Volume totalled 343m shares, against 489m. Most investors remained on the sidelines due to the uncertainty over the state of the US economy and waited for post-Easter holiday trading in the US stock and

The fall in the US was followed

by MADRID, one of the few

markets open yesterday in the

region. The general index lost

3.58 or 1 per cent to 341.42. The Ibex-35 receded 44.14 or 1.2 per

Brokers said electrical utili-

ties declined on profit-taking,

with Endesa slipping Pta50 to Pta7,170, while Iberdrola shed

Pta20 to Pta1,125 and Union

Other moves included Tele-

fónica, off Pta35 or 1.7 per cent

Fenosa eased Pta5 to Pta674.

cent to 3,850.64.

pants were also waiting for figures revealing demand in the US semiconductor market

The Topix index of all first section stocks shed 13.61 to 1,645.12 and the Nikkei 300 fell 2.76 to 305.67. Losers led gainers by 826 to 251, with 154

issues unchanged.
Taiheiyo Bank, the regional bank which will be bailed out by Sakura Bank, Fuji Bank, Tokai Bank and Sanwa Bank, was the day's most active issue. The stock finished at Y6, down from the Y290 at which it

last traded on March 29. Other banks were lower on technical selling, with Industrial Bank of Japan losing Y10 at Y2,890 and Dai-Ichi Kangyo Bank Y30 at Y2,060. Brokers also weakened, Nomura Securities falling Y40 to Y2,310 and Daiwa Securities Y40 to Y1,600. Fisheries were picked up as laggards. Nippon Suisan rose Y5 to Y465 but Maruha closed

High-technology stocks were

Madrid dips 1%, Istanbul rises

Pta65 to Pta4.590. Among

banks, Banco Santander dipped

Pta80 to Pta5,920, Popular

Pta390 or 1.8 per cent to

Pta21.310 and Argentaria Pta30

kets, particularly sensitive to

any change in US interest

ISTANBUL ended at a new

record, the composite index

soaring 1.146.63 or 1.6 per cent

ATHENS was weak, with

investors selling constructions.

rates, went their own way,

The region's emerging mar-

to Pta5,190.

weakness. Hitachi dropped Y30 to Y1,040 and Toshiba closed Y8 cheaper at Y811. Sony dipped Y60 to Y6,380 and Mat-sushita Electric Industrial lost Y20 to Y1,730.

Speculative shares were actively traded. Shokusan Jutaku, a housing company. rose Y15 to Y475 and Naga kiya, a retailing group, gained

In Osaka, the OSE average slipped 99.54 to 22,795.48 in volume of 47m shares.

#### Roundup

Fears of a sell-off in US stocks, when Wall Street had its opportunity to respond to Friday's strong employment data later yesterday, pressured many regional markets

KUALA LUMPUR fell 1.6 per trade deficit in January compounded the downbeat mood. Anwar Ibrahim, the deputy

and particularly casino-linked

stocks, after the government's

snap decision to scrap long

casino licence. The general

Among the consortium that

was due to receive the casino

licence, Attikat dropped Dr211

to Dr2,430, Technodomi lost Dr231 to Dr2,667 and Proodef-

Graphs below show first-

quarter performances in major

awaited plans to award a

index fell 5.36 to 962.41.

tiki feli Dr195 to Dr2,243.

European markets.

minister, said Malaysia recorded a large trade deficit in January but did not immediately provide details.

That proved enough to leave the composite index down 18.46 at 1,134,63. The second board index retreated 19.40 or 4 per cent to 468.65.

Asas Dunia was the most actively traded counter, up 40 cents to M\$10.60 in volume of more than 9.5m shares.

SINGAPORE declined 1.3 per cent as property stocks led the losers after their recent gains. The Straits Times Industrial index shed 31.31 to 2,365.17 in thin volume of 71.5m shares. The SES property index slid 22.75 or 3 per cent to 741.82. The property-based Wing Tai, which set a new high for the year of S\$3.92 last week was the most active stock hut

SEOUL was unable to make progress as government steps to support prices helped to calm worries caused by a

bond markets. Market partici- lower in spite of the yen's prime minister and finance North Korean campaign to destroy the armistice agreement that ended the 1950-53 Korean War.

The composite index ended just 0.17 higher at 877.03, as investors discounted North Korea's weekend incursion into a sensitive border area as a diplomatic gambit aimed at pressing Washington to agree to direct military talks with Pyongyang.

Some primary blue chips rose on institutional buying. Kepco, the electricity monop oly, put on Won200 at Won30,700 and Samsung Electropics Won1,600 at Won86,100. Brokers added that switching was seen to companies with large property holdings. Sung Chang Enterprise rose Won2,500 to Won68,000 and Taeyung went Won3,000 limit up to Won53,000.

TAIPEI finished higher, in spite of profit-taking pressure. as the heavily weighted financials sector continued to soar on news that the index may

gain a Morgan Stanley listing. The weighted index climbed 18.67 to a nine-month peak of 5,599.80 in heavy turnover of T\$82.46bn, the largest for a single session since December

31, 1994. The market, which had risen by more than 400 points on Friday and Saturday, opened lower as non-financial sectors encountered profit-taking. But analysts said extreme bullish ness in financials subsequently

supported the market. The banking sector rose 3.1 per cent, with the state-run Big Three banks - First Commer cial, Hwa Nan and Chang Hwa - all leaping by the daily 7 per cent limit to T\$133, T\$115.50 and T\$130 respectively

JAKARTA ended lower in spite of active late local buying of second-liners. The Jakarta composite index dipped 7.44 or 1.2 per cent to 597.64.

Textile shares were traded actively in spite of reports that Indonesia's textile exports

#### FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

tion of the national and regional markets of the FT/S&P Actueries World Indices as at MARCH 28, 1996 are

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 29/03/96 (US\$m)	% of World Index	Market cap. as at 29/12/95 (US\$m)	ndex at World	% choe in \$ index since 29/12/95
Australia (81)		1,46	168860.3	1.43	4 96
Austria (24)	18518.5	0.15	17458.9	0.15	4.61
Belgium (33)	78713.2	0.64	80295.6	0.68	-2.03
Brazil (28)	46962.8	0.38	42106.4	0.36	11.58
Cenada (101)		1.48	170572.0	1.45	5.39
Denmark (33)	40459.7	0.33	39316.7	0.33	2.76
Finland (24)	28800.4	0.24	29591,8	0,25	-3.30
France (98)	403006.4	3.29	371321.1	3.15	8.46
Germany (60)		3.50	401945.4	3.41	5.72
Hong Kong (59)	, 251562.9	2.06	212834.3	1.80	11.47
treland (16)		0,16	19085.8	0,16	3.87
taly (59)		1.12	139736.3	1,16	-2,08
Japan (482) ,		23.23	2848585.2	24.12	-0.21
Maleysia (107)		1.09	116341.0	0.99	14.05
Mexico (18)		0.37	38690.4	0.33	15,79
Netherland (19)		1.99	231631.7	1.96	5.30
New Zeeland (15)		0.16	22391.2	0.19	4.75
Norway (33)		0.21	24555.6	0.21	2.26
Singapore (44)	68457.7	0.57	63981.4	0,54	8.25
South Africa (45)		1.15	140118.0	1.19	0,29
Spain (37)		0.96	115724.0	0.96	4.01
Sweden (46) ,	140168.9	1.15	129348,1	1.10	10,11
Switzerland (39)	346946.2	2.84	328867.8	2.79	a 05
Thelland (45)	24120,1	0.20	22627.7	0,16	6,29
United Kingdom (205)	1086460.3	8.88	1091274.3	9.25	-0.70
USA (631)		42.36	4935800.2	41.83	4.89
Americas (778)	5457512.3	44.81	5167169.0	43,96	5.04
Europe (726)	3113621.8	25.45	3020153.0	25.50	3.11
Nortic (136)	234629.6	1,92	222812.2	1.89	6.14
Pacific Besin (634)		28.79	3459621,1	29.27	1.50
Euro-Pacific (1560)	6635374.7	54.24	8473774.1	54.88	2,25
North America (732)	5365730.2	43.86	5108372.3	43.27	4.91
Europe Ex. UK (521)	2027161.3	18.57	1928878.7	16.34	5.28
Pacific Ex. Japan (352)		5.55	607035.9	5.14	9.39
World Ex. US (1752)		57.62	6865258,9	58.17	2,42
World Ex. UK (2178)		91.12	10709784.8	90.75	3.86
World Ex. Jepen (1901)		76.77	8954473.9	75.88	4.62
The World Index (2383)		100.00	11801059.1	100.00	3.45

FT/S&P ACTUARIES WORLD INDICES

\_174.60 \_196.33 \_173.09

US Day's Pound Dollar Change Sterling Index % Index

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1178.11 281,94 78.91 231,78 429,98 359,02 168,47 327,18 239,86 160,10

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The markets in the region

MEXICO CTTY extended its opening losses in the IPC index to stand at midday down 64.53 ume was a weak 12.9m shares,

BUENOS AIRES, with the Merval index off 5.84 at 504.80. SANTIAGO was more robust as the market took in last week's increase in interest widely in New York, such as rates. The blue-chip IPSA index was 0.78 softer at 91.97.

The FT/S&P Actuaries World Indices are owned by FT-SE international Limited, Goldman, Sechs & Co. and Standard & Poor's. The tridices are compiled by FT-SE international and Goldman Sechs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. Nativest Securities Ltd. was a co-founder of the Indices.

4.11 1.54 4.13 1.57 2.40 1.95 3.24 3.40 0.72 1.53 3.16 4.53 1.52 2.51 1.52 2.51 1.79 4.05 1.79 4.05 1.79

0.0 2.16 0.0 8.05 0.0 2.45 0.8 1.15 0.4 2.04 0.0 2.17 -0.1 2.90 -0.1 2.94 0.4 2.05 0.2 1.91 0.0 2.51

FRIEDAY APRIL 5 1996

Ing Yen DM Currency % chg Div.
ex Index Index Index on day Yield

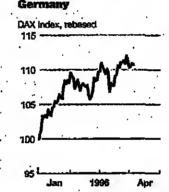
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165.84 188.16 205.16 141,75 160.84 180.67 196.15 222.58 248.73 125.96 116.93 125.98 142.63 141,13 177.15 201.02 260.06 129.33 149.79 154.63 196.04 224.73 252.73 128.46 143.50 145.32 142.00 161.13 175.91 164.81 186.78 228.44

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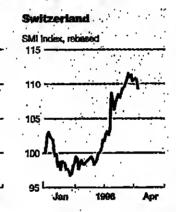


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Local

287.57 259.72 180.97 205.95 267.57 205.11 245.81 226.86 165.12 187.90 205.16 245.54 208.80 202.67 141.23 160.71 180.75 208.80 202.67 141.23 160.71 180.75 208.80 187.54 182.72 113.38 129.03 116.04 171.87 184.68 179.28 124.91 142.15 140.50 185.04 200.78 253.13 178.38 200.72 260.05 262.26 180.67 188.06 128.96 148.78 154.74 160.74 291.57 283.01 187.90 224.42 252.88 293.55 185.81 180.35 125.67 143.02 144.79 188.17 208.81 202.88 141.23 160.72 173.51 209.04 242.36 255.25 163.82 188.54 242.36 242.36





## WORLD GOLD DNFERENCE

24 & 25 June 1996, Venice

There has been more excitement in the gold market since the beginning of 1996 than at any time during the past two years, with the price of gold breaking through \$400 an ounce. The 1996 FT Gold conference brings together expert speakers from around the world to debate all the important market influences and to analyse the latest trends.

Partner

- The Changing Relationship between the Central Banks and the Gold Market in the Late 1990s
- How the Market is Responding to New Forces
- New Initiatives to the year 2000 in South African Mining

## LEGAL NOTICES

BETWEEN

IN THE MATTER OF ERIDIEN INTERNATIONAL BANK LIMITED (In Liquidation)

AND IN THE MATTER OF THE COMPANIES ACT 1992

NOTICE is bereby given that the Creditors of the above-named Company which is being wound up by the Court are required on or before the 29th June, 1996 to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Amorteys (if any) to Mr. Dated P. Hamilton and/or Mrs. Alson J. Treco, the Official Lapodaton of the said company at P.O. Bob. N.-1.23. Nament, Balantans and if so required by Notice in writing from the said Official Lapolators of their Amorteys or personally to come in self-proce the said debts or claims at such tame and place as shall be specified in such Natice or on default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dezed: this 26th day of March A.D., 1996. McKINNEY, BANCROFT & HUGHES Attorneys for the Official Liquidators Meridien International Bank Limited (In Liquidation)

#### The Financial Times plans to publish a Survey on

0.1 204.81 143.48 162.79 180.50 0.2 2.10 210.98 204.77 142.68 162.97 180.13 211.20 178.81 178.61

# The UK Gas Market

on Monday, April 29.

As the UK Gas sector enters a new era the Financial Times will be publishing a survey examing the threats & opportunities facing the industry.

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Mr James H Cross Former General Manager, Gold and Foreign Exchange Department South African Reserve Bank

Executive Vice President and Director AIG Trading Group Mr Tom R N Main Chief Executive

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Mr Ted Reeve Equity Analyst Scotia McLeod Inc

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Chief Executive Europe World Gold Council **FT CONFERENCES** in association with

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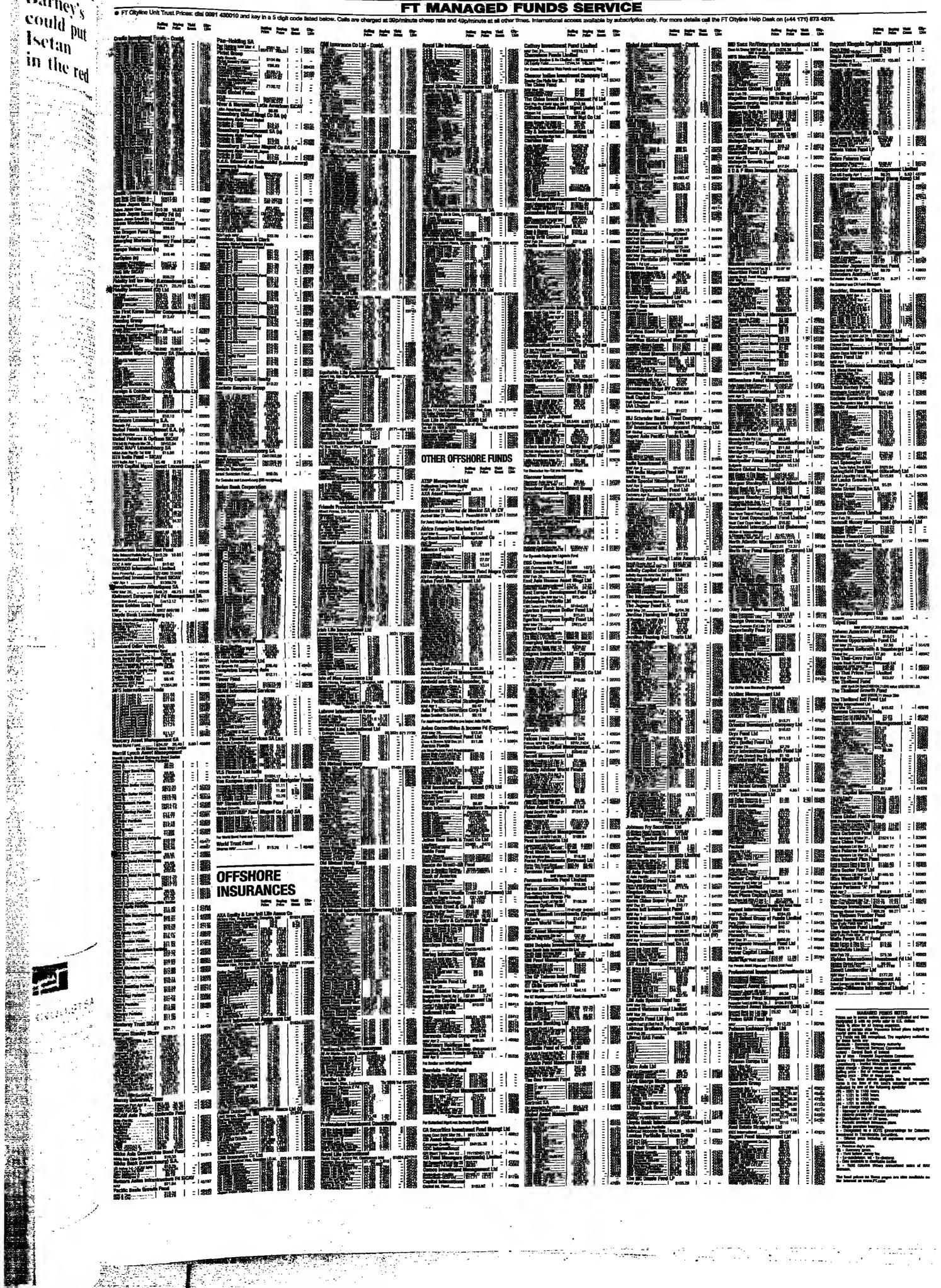
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181\_a Molecchier	Q.29	1.8	23	2650	15	
181\_a Molecchier	Q.78	1.9	23	2650	15	
181\_a Molecchier	Q.78	1.9	23	2650	15	
181\_a Molecchier	Q.88	2.5	0	6	60	11
181\_a Molecchier	Q.88	2.5	0	6	60	11
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181\_a Micchier	Q.88	2.5	0	6	60	
181\_a Micchier	Q.68	2.5	0	6	60	
181\_a Micchier	Q.68	0.8	21	4100		
181\_a Micchier	Q.88	0.8	21	4100		
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#### TUESDAY

#### israeli nuclear waste alarm

Reports that radioactive waste has leaked from Israel's nuclear reactor at Dimona in the Negev desert will be examined by the Arab League in Cairo. The meeting was requested by the Palestinian representative after the reports surfaced in many Arab publications. Egypt and other Arab states are linking the possible danger from Dimona to the wider issue of Israel's

nuclear programme. Although Israel has never confirmed it has atomic weapons. according to foreign reports it has built about 200 in Dimona. Cairo wants Israel's nuclear programme to be dismantled or, at least, inspected by the International Atomic Energy Agency. Meanwhile, the Egyptians are monitoring radiation levels along their border with

Polish president in Russia

Aleksander Kwasniewski, the president of Poland, started a three-day state visit to Russia yesterday. It is his first there since he was elected last autumn. The opposition will watch closely for signs of a soft line by the former Communist leader on Russia's objections to Polish membership of Nato. Mr Kwasniewski, who seeks to improve relations with Moscow without making concessions, has already travelled to Brussels, Bonn and Paris to establish his pro-European and Nato credentials. General Javier Solana, the secretary general of Nato whose expansion Moscow considers a threat to its security - will visit Poland on

#### **Rifkind courts Latin America**



Malcolm Rifkind, the British foreign secretary, arrives in Barbados at the start of a Latin American and Caribbean trip. Mr Rifkind will go on

to Jamaica Mexico, Brazil and Bolivia, where he will attend a European Union/Rio Group ministerial meeting. The aim is to promote British exports and investment, which have lost ground to US trade at a time when Latin America is seen as an area of

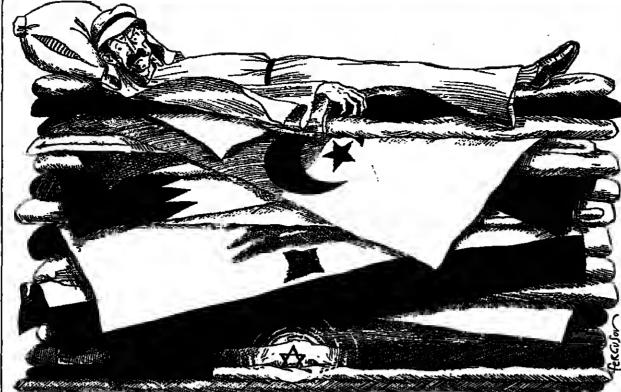
growing opportunity.

Mr Rifkind, who will make at least one speech about UK policy in the region, is no regional expert – the only Latin American country he has so far visited is

**Greek premier meets Clinton** 

Costas Simitis, the Greek prime minister, will hold talks with President Bill Clinton on his first visit to the US. Greece is seeking support in its disputes with Turkey in the Aegean following a clash between the two countries in January over the status of two uninhabited islets between the Turkish coast and the Greek island of Kalymnos.

Greece is also anxious that, before the summer tourist season begins, the US rescinds an official warning that security at Athens airport is not up to international standards.



nuclear programme come to the fore as the Arab League meets to examine

#### FT Surveys

Asian Telecommunications; Pakistan.

Public holidays Israel, Nauru, Philippines, Tunisia,

#### Vatican City. WEDNESDAY

10

#### Li Peng visits France

Mr Li Peng, the premier of China, visits France as part of a European tour. beginning today. Mr Li will explore ways to extend Sino-French political and economic relations, and will also visit the Toulouse headquarters of Airbus Industrie, where executives of the European consortium are hoping that he will announce new aircraft

UK in boat people struggle

Repatriating Vietnamese boat people tops the agenda for Jeremy Hanley, the UK foreign office minister, in a two-day visit to Hanoi ending today. Britain and the Hong Kong government are trying to ensure about 19,500 Vietnamese held in camps in the colony, most of whom fled Communist-run Vietnam in the 1970s and 1980s, will be repatriated to Vietnam before China resumes sovereignty over Hong Kong in 1997. The Vietnamese authorities have refused to accept back large numbers because they are not deemed Vietnamese nationals: most are ethnic Chinese.

Blair at the White House Tony Blair, the leader of Britain's opposition Labour party, arrives in the US for meetings which include talks at the White House with President Bill Clinton and Vice President Al Gore (to Apr 12). Northern Ireland and the transatiantic "special relationship" are expected to be among the topics discussed. There is also speculation that there may be a deal to lower trade barriers between the US and Britain should Mr Blair and Mr Clinton

win their respective elections. Mr Blair will also breakfast with Henry Kissinger, the former secretary of state, meet congressional leaders and address the British American Chamber of Commerce. His meeting with Mr Clinton is seen as a big coup for Labour.

Japan-US air cargo deal

The US and Japan are likely to sign a formal air cargo deal after final discussions that are expected to be concluded in Tokyo by Friday. Under the agreement, which was reached late last month, the countries will grant each other's carriers extra flight rights on both sides of the Pacific.

However, the most contentious issue remains unresolved: that of so-called "heyond rights", under which carriers can stop in one country to pick up a load for delivery to another. Peace is all the less likely to break out given that another transport dispute is brewing, this time over passenger flights.

#### Chess

Chess grand masters Anatoly Karpov, Jan Timman and Jeroen Piket start the 11th Aegon computer chess tournament, playing exhibition games against computer chess programs in The Hague (to Apr 17).

Public holidays

#### THURSDAY

Labour poised to take seat The Labour party is expected to win a British hy-election in Staffordshire South East, taking this Midlands seat from the Conservatives. A Labour victory will reduce the Tory majority in the House of Commons to one. However, this relatively affluent constituency is not easy territory for Labour, and the size of its majority if it wins will be watched closely for signs of whether the party could be flagging in the opinion polls. The seat became vacant with the death of sitting MP Sir David

**Elections In South Korea** South Korea's ruling New Korea party will be struggling to keep its parliamentar majority after a general election, which comes only three weeks after a close aide to the South Korean president was arrested on corruption charges. The

president. Kim Young-eam, who has conducted an anti-corruption drive since he took office in 1992, is himself being accused by the opposition of having financed his last campaign from a secret slush fund. The National Congress for New Politics, the main opposition party. alleges the fund belonged to Mr Kim's predecessor, Roh Tae-woo, who is also being tried on corruntion charges. Mr Rob and another former president, Chun Doo Hwan, are both in jail.

#### Andreotti murder trial

Giulio Andreotti, seven times prime minister of Italy, is to go on trial in Perugia charged with complicity in the 1979 murder of a Rome journalist, Mino Pecorelli, who edited a scandal sheet. Perugia magistrates allege that Mr Pecorelli was trying to blackmail Mr

Andreotti. His co-accused are a former foreign trade minister, Claudio Vitalone, and three convicted mafiosi. The trial was postponed from February 2. Mr Andreotti s already standing trial in Sicily, accused of being the Mafia's political protector in

Nuclear ban treaty for Africa Egypt hosts the signing of the African Nuclear Weapons Free Zone Treaty, known as the Treaty of Pelindaba. All 53 African states have been invited to sign the treaty and the five nuclear powers the US, Russia, UK, France and China will also sign protocols pledging not to use or test nuclear weapons in the region. The treaty will be the world's fourth regional agreement banning nuclear weapons. Others have been signed in Latin America and the Caribbean, the South Pacific and among South East Asian countries. Until recently the main obstacle to an African treaty had been South Africa's advanced nuclear weapons capability. However, a programme to dismantle it has been continuing since 1990.

#### Golf

Pickled in aspic, but still a spectacle, the 60th US Masters tournament starts at Augusta, Georgia (to Apr 14). Europe has won more than its fair share of glory at Augusta in recent times, scooping seven of the last 11 Masters titles. If a European is to triumph this time, it could be Scotland's Colin Montgomerie, at present the world'a No 2 professional. Many observers will also study the progress of another Scotsman, Gordon Sherry, the 6ft Sin hiochemistry undergraduate who is still an amateur and is using the Masters as a springboard to what many believe will be an outstanding professional career.

FT Surveys International Hotels; Russia.

Public holidays Costa Rica.

FRIDAY 12

Arkansas, the final frontier



takes place in Eureka Springs Arkansas, the home state of President Bill Clinton (to Apr 14). The conference will feature

The eighth annual

UFO conference

delegates' personal accounts of UFO experiences, audio-visual presentations and a panel discussion concerning the existence or otherwise of UFOs.

#### Saleroom

The English country house opens its doors in New York this week, with a series of symposia on the subject organised by Sothehy's. The event closes today with an auction of objects that characterised such bouses. Among the items for sale are "The start of the Epsom Derby" by John Frederick Herring Snr, estimated at up to \$1m (£600,000), and a pair of George III

satinwood secretaire cabinets attrib Chippendale, at up to \$500,000.

Bosnia donors' conference in An international donors' conference in the in Brussels in order to raise the outstanding part of the \$1.8bn (£1.8bm) sought for Bosnia's reconstruction. in order to jump-start Bosnia's ecorative and about two thirds was pledged 1 December, but not signed over. Ricce that December, but not signed over, make the 50 countries and 25 organisations are expected to attend the two-day combined which is being hosted jointly by the House Bank and the European Commission.

Bildt, the international mediator in the same and in charge of implementing the same and in charge of implementing the aspects of the Dayton peace agreems had threatened to postpone the contract unless the rival Bosnian parties control with a promise to release all rental prisoners.

EU in single currency to The European Union finance ministra hold a meeting in Verona, Italy, so the preparations for the European single currency. The meeting is likely to the relations between those inside with outside any future single currency following the request hy John Major, UK prime minister, for a study of dris matter. The German proposals for stability pact are also likely to be debated, together with the issue of the future coinage for a s currency.

FT Surveys FT Review of Business Books; Bu Parks; Indian Banking and Fines

Public holidays Bulgaria, Ethiopia, Greece, Leband Lanka, Thailand.

SATURDAY

British Open championships, Indoor Arena, Birmingham.

**Public holidays** Bangladesh, Nepal, Sri Lanka, Thi

#### SUNDAY

#### Pope in Tunisia

Pope John Paul II makes a one Signaturis, the capital of predominantial Moslem Tunisla. Vatican officials consistently denied Spanish newspan reports that the Pope has intestinal and Parkinson's disease, and see the will go ahead.

#### Badminton

European championships, Herning Denmark (to Apr 21).

Public holidays Egypt, Jordan, Lebanon, Syria.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194

#### Other economic news

Tuesday: As the markets reopen after the Easter holiday, there will be a clutch of economic data to watch this

week. UK manufacturing figures will be analysed closely for any signs of a rebound in activity, following the slowdown at the end of last year. Most economists expect to see some upturn in February, albeit relatively modest.

In Japan, the trade balance is likely to have shrunk slightly in February. Wednesday: The Freoch INSEE survey on household sentiment will be watched for any signs of a return in con-

er confidence in March. In Germany, unemployment data is likely to show a further rise in johless levels last month - albeit a smaller growth than earlier this year.

Thursday: US retail sales figures should point to a continued small unturn in consumer spending in March.

Priday: French and US inflation data should point to continued subdued price press in March. Spanish data is also likely to show little acceleration, although its rate of price growth remains one of the highest in the European Union.

#### ECONOMIC BIARY Statistics to be released this week

Dey Rolonsed	Country	Economic Stetistic	Median Forecast	Previous Actual
Tues	US	Feb wholesale trade	-	-0.6%
April 9	Japan	Feb current a/c (MF)††	Y730bn	Y1.2Tr
	Japan	Feb trade balance (IMF)††	•	Y1.STr
	Japen	Fob foreign band investment	-	Y484bn
	Japan	Feb mach'ry orders, ex-elec/ships*	-	-3.9%
	Japan	Feb machiny orders, ex-elec/ships**		13.9%
	UK	Feb industrial production*	0.5%	-0.5%
	UK	Feb industrial production**	1.4%	1.4%
	UK	Feb manufacturing cutput	0.3%	0.3%
	UK	Feb manufacturing output**	0.5%	1.1%
Wed	Germany	Mar unemployment, West†	16,000	57.000
April 10	Germany	Jan employment, West†	-17,030	-40,000
	Germany	Mar unemployment, East†	15,000	50,000
	Germany	Mar vacencies. West†	•	2,000
	Germany	Mar short-time, West††		74,000
	UK	Feb cyclical indicators	-	n/a
Thur	US	Mar retail sales	0.545	0.8%
April 11	US	Ditto ex-automobiles	0.4%	0.4%
	US	Mar producer price indx	C.4%	-0.2%
	US	Data ex-food & energy	0.2%	0.1%
	Canada	Mar raw materials price endx (adv)*	-	1.9%
Fri	US	Mar consumer price indix	0.3%	0.2%
April 12	US	Ditto ax-food & energy	a.3%	0.2%
	US	Apr Michgan sentment prekm	-	93.7

Feb business inventories

Released	Country	Stutistic	Forecast	'Actual ·
Frí	US	Mer Atlenta Fed Indx		-14.9
April 12	US	Mar real earnings	-	. 2.1%
(cont)	US	Mar bunk credit ·		3.6%
	US	Mar Căl loans	•	6.0%
	Japen	Mar Bunk of Japan data		n/a
	France	Mar consumer price indx prelim*	0.2%	0.4%
	France	Mer consumer price indx prelim**	1.9%	2.0%
	Italy	Jan EU trade balance	LD.5Tr	-L0.5Tr
	Italy	Feb ex-EU trade balance	L1.8Tr	-L0.3Tr
	Spain	Mar consumer price indu	0.4%	0.3%
	Spain	Mar consumer price indx**	3.5%	3.7%
Ouring t	e week			
	Japan	Mar trade balance (customs ci'd)†	t-	\$13.8bn
	Germany	Jan trade balance	DM7.3bn	DM7.0bn
	Germany	Jan current a/c	-DM2.00n	-DM3,5bn
	<b>Germany</b>	Mar final cost of living, West*	-	0.5%
	Germany	Mar final cost of living, West**	-	1.4%
	<b>Germany</b>	Mar final COL, pan-Germany	•	0.5%
	Germany	Mar final COL, pan-Germany	-	1.5%
	Germany	Feb capital a/c		DM26.9bn
	Germany	Feb manufig orders, pan-Germany	-0.3%	-0.1% (rev)
	Germany	Fob retail sales, real**	0.0%	-1,0%
	Germany	Feb retail sales":	-	-2.0%
	Spain	Mar M4 ann"	-	4.7%

#### PRIZE CROSSWORD No.9,038 Set by DANTE

"month on month, "year on year, † seas/adj, ††not s/adj. Statistics, courteey MMS Intern

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday April 18, marked Monday Crossword 9.088 on the envelope; to the Financial Times, I Southwark Bridge, London SE1 9HL. Solution on Monday April 22. Please allow 28 days for delivery of

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Winners 8,027

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ACROSS 1 Favourite places for having tanirums? (8,6) 10 Sprays of flowers (5)
11 They openly work with crooks (9)

12 Animal lover is after foreign currency (7) 13 A number in Malaga out to form a union (7)
14 Standing order from Crete (5)

18 His duties may be an eye-opener to Mexicans on the move (9) 19 Supplies information for close

20 Fun with the birds? (5) 22 A tussle for military bonours Casual way in which you remove a glove? (34)

27 US soldier seizes a scurribus Italian union leader (9) 28 Wait round front of registry for her? (5) 29 Devil of a choice by Rattigan

DOWN 2 A willing disposition? (9) 3 Score 101, and total up (5) 4 Being urgent, it's sent in a different way (9) 5 Miss Garbo was unusually 6 In this practice there's a real Dismantle a United Nations cil installation? (5)

8 He collects articles others consider worthless (7) 9 A sweet little thing (6) Schedule means item is thrown out by the board.(9) 17 Caught us, to face this sort of entence (9)

18 Horse swallows mixed grain and fat (9)

19 Visible location for a pub, we 21 He dines out on the fourth of

July (6) 23 Free to be at it - that's great! 24 Border county where Sarah 26 it isn't true it comes to a

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Bob Thomas, Alicante, Spain J. D. Spencer, Plymouth David Grant, Winchester Mark O'Meara, Hythe, Kent K. Tomica, Friedrichsdorf, Germany Peter and Kim Burns, Ilford,

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## ASIA-PACIFIC TELECOMMUNICATIONS

## Winners in the east will inherit the earth

International telecoms concerns are fighting to boost their presence in the world's largest market. They face big obstacles, writes Alan Cane

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Branden treitetaya

be centre of gravity of the global telecom cations business is shifting towards the complex mixture of affluence and underprivilege that is the Asia-

The 31 countries of the region already constitute the world's largest market for telecome products and services; according to the United Nations agency, the International Telecommunication

Union (ITU).
It accepts that the average telephone density across the Asia Pacific region is just five per 100 people against a world average of 12 per 100, but goes on to point out the speed of the growth taking place: "In the coming five years," it affirms, investment in the region's telecoms market is expected to exceed \$300bn."

Mr Steve Burdon, managing director of British Telecommunication's Asia-Pacific operations, points out that no operator or manufacturer with serious global intentions can afford to ignore the region: "If a telecoms company wants to be a world leader, it has to be a leader in Asia Pacific. This will be the most important geographical segment by 1998."

This, to some extent, explains the urgency with which BT, which has a limited presence in Asia Pacific, has een seeking a merger with Cable and Wireless of the UK. which holds a majority stake in Hongkong Telecom, one of the key operators. Even the uncertainty over the future of

sequence of the ceding of Hong a population of almost 70m, an Kong's sovereignty to China next year - seems to be no

BT is not alone among European operators in seeking to extend its influence in Asia. Last year Deutsche Telekom, Europe'a largest operator, paid \$586m for a 25 per cent stake in Satelindo, the most recently formed of Indonesia'e three

Significantly, Satelindo is a mobile phone operator. Mobile networks are cheaper and simpler to establish than fixed wireline infrastructures, and once. deployed can dramatically cut the time a potential customer has to wait for a connection. It is estimated there could be 80m mobile phone users in the Asia Pacific region by the turn of the century, more than in either Western Europe or North America.

Telecoms operators from developed countries anxious to invest in the region are having to learn new ways of doing business. Mr Charles Voi of Telstra, the state-owned Australian operator which is planning to exploit its technical. marketing and financial expertise to develop operations in China, Vietnam, India and Indonesia observes that business in North America is based on law, in Europe on logic, and in Asia on relationships; "The negotiations never really end," he says. The Chinese, he points

rather than years. It is a commonplace to note that the countries of the Asia-Pacific region are grouped together principally by geography rether than heritage, and can show startling differences in telecoms development.

On the one hand Japan is home to NTT, the world's largest company by market capitalisation, with 60m lines and 47.8 lines per 100 head of population. On the other, the Philippines' largest operator, Philippine Long Distance Telephone, Hongkong Telecom - the con- has less than a million lines for

average of 1.68 lines per 100 head of population.

The region can in business terms be divided into three broad categories: mature markets such as Japan, Hong Kong and Singapore, maturing mar-kets including Malaysia and Thailand and immature markets such as the Philippines and India. A common theme, however,

the speed and energy with

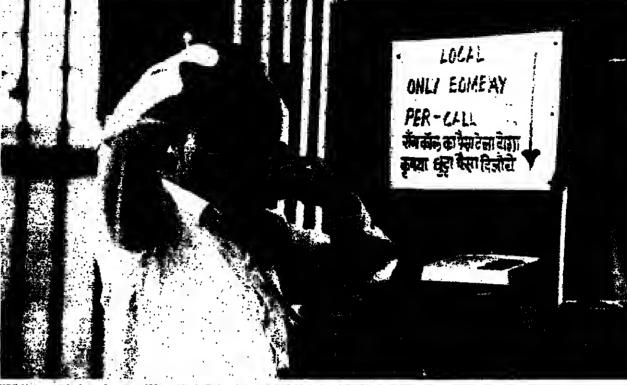
which each country is transforming its telecoms networks: getting the infrastructure to the people," as Mr Voi puts it. Governments in the Asia-Pacific region understand that effective telecommunications underpins economic growth rather than the other way round. They are aware of the number of telephones per head of population and foreign

The Chinese, for example, are laying new lines at the rate of 14.5m a year, a figure roughly equal to half the UK's fixed line network. They are paying for much of the expan-

Earlier this year AT&T of the US signed a \$16m deal with China'e Ministry of Posts and Telecommunications to equip China's Beijing-Kowloon trunk line. It will be the longest optical trunk line in China at 3.654m and is only one of 16 major trunk lines due to be completed by 2000. Other governments are seeking alliances and partnerships

with Western companies to

help meet the expense of boosting their telephone capacity. Basic telephony may not be enough, however, given the pace at which much of the rest of the world is moving towards. the advanced communication services found on the "information superhighway". The ITU pointed out last year: "One thing is certain, developing countries cannot afford to wait and see what happens. They are already behind in various



tration and the development gap is greater for advanced communication services than for basic telephone services." One illustration will suffice:

in 1994 there were an estimated 48.9 psers of the Internet, the international computer network, per 1,000 inhabitants of Sweden. The comparable number for Japan, where telephony is highly developed, was 4.3. and for India, which has massive improvements to make to its infrastructure, just 0.002. Advanced communications,

the ITU says, can fundamentally alter the entire development paradigm. It comments: "Economic development has traditionally been associated with the movement from rural, agricultural societies to urban, industrial ones:

"Information infrastructures can accelerate this process. But they can also help countries skip whole stages of development ... the building up of information industries can help developing countries participate in the information economy."

region seeking funds to build infrastructure and a growing number of privatisations planned in the telecoms sector, there are questions over whether there will be enough capital to satisfy these ambi-

in the middle of 1995 Asia's programme of telecoms flotations was forced onto the back burner as market conditions deteriorated. The flotation later in the year of Indonesia's national operator, PT Telkom, caused embarrassment when at the last moment the government was forced to halve the size of the offer and cut the price of the shares after poor support from US investors.

According to Mr Andrew Harrington, Asia-Pacific analyst at Salomon Brothers. investors should take note of a number of new trends. He emphasises the importance of increasing liberalisation as governments try to accelerate the expansion of telecoms by attracting foreign capital: privatisations and other offerings that have already been sched-



uled or are expected to be announced have a value greater than \$4bn a year for the next five years. The number of quoted telecoms companies, he says, has increased more than tenfold since 1990.

He predicts the Asian market is on course for stronger growth: "Capital expenditure in telecoms in the Asia-Pacific region rose from £20bn in 1993

to \$25bn in 1994. That represents a 25 per cent increase year on year. I expect this growth to continue." Japan, the richest country in

the region, which has the largest telecoms market, is addressing questions of a different nature. It is slowly opening its market to foreign compatitors. It continues to debate the wisdom of breaking up

#### IN THIS SURVEY



aggering growth China: big problems, big ■ Taiwane dereculation

Hong Kong: a monopoly

Singapore: grand

Malaysia: a trio triumphs sall-off test

progresses

Indonesia: a market blooms Vietnam: rapid Philippines: a model for

Editorial production: Jonathan Guthrie Graphics: Robert Hutchison, Steven Bernard

NTT. Earlier this year a government committee recommended that the giant should be split into several regional phone companies and one long-distance operator.

NTT is fighting back strongly, arguing that if it is divided up there will be gaps in services for local businesses and a weakening of Japan's international competitiveness in telecoms research and development. It claims this would lead to stagnation of the country's information technology industry.

It is the kind of dilemma which India, with one telephone for every 100 of its inhabitants, will not have face



"Being able to answer all my business calls right away gives me more spare time."

RENÉE T HART.

Secretary to Distribution and Sales, Ericsson Business Mobile Networks BV, The Netherlands.



Think about how much time you waste on the telephone on an average working day. You call people. They aren't at their desks, so you leave a message. When they call back, you're away from your desk. And so on. At the end of the day, you find yourself working late just

to carch up. We need to respect each other's time more. To make everyone more available during the working day. Ericsson researches, develops and markets digital cordless applications for public and private networks that are making communication between people more efficient.

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Ericsson's 80,000 employees are active in more than 100 countries. Their combined expertise in switching, radio and networking makes Ericsson a world leader in tele-

## Subscribers could double by 2000

The country has ambitious plans for expanding its telecoms network, says Tony Walker

China's Ninth Five Year Plan (1996-2000), which was unvelled in March, makes it clear that spending on telecommunications will be a priority until 2000.

The plan envisages expenditure of Yn500bn (\$60,24bn) in the five years to 2.000, about 70 per cent of which will be allocated to building exchanges and laying fibre

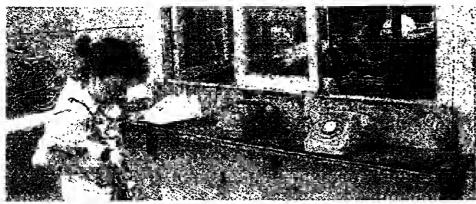
Earlier this year Mr Wn Jichnan, minister of Posts and Tciecommunications (MPT). outlined an ambitions programme to increase telephone coverage to 30-40 sets per 100 city-dwellers from the present total of around 13 sets per 100. Mr Wu pledged that his min-

istry would work to give every rural village telephones by the turn of the century - well ahead of the previous schedule. This would help raise the country's telephone coverage rate to 10.5 per cent from the present 4.88 per cent.

If these plans are carried through, the number of subscribers in China will more tban double in the next five years from 40.7m - not including mobile phone subscribers to in excess of 100m. The goal is to create an additional 64.3m subscribers by 2000.

Hitting this target will

require extremely rapid growth in China's telephone network. While the cost of an



additional 64.3m telephone bandsets would be about Yn1bn, the expenditure needed for the infrastructure to support such an explosion of new subscribers will amount to many billions of dollars. According to the MPT som

79m new lines will be installed to meet targets for new subscribers. This will in turn requirc a dramatic increase in the conotry's public phone switching capacity, at a cost of about Yn70bn. According to a draft outline

of China's Ninth Five Year Plan total telephone switching capacity will reach 174m lines. up 89m lines from the 1995 figure of 65m lines This surge in China's tele-

communications capacity is creating a bonanza for foreign telecommunications companies, but China is seeking a greater share for domestic enterprises.

According to Mr Zhou Daiqun of the Ministry of the Electronics Industry, China

has been working on plans to increase market share for local companies in the "Incrative market for exchanges and fibre-optic cable, of which Chinese enterprises are expected to bold 80 per cent by 2000". At present Chinese compe

nies dominate telephone bandset mannfacturing - with capacity of about 70m a year, but they bold just 15 per cent of the market for exchanges. Joint ventures involving Siemens, NEC, AT&T, Northern

Fixed line penetration\*

regions - Cbtoa'a version of the superbighway. Chtoa is in the process of constructing what it describes as its "Three Goldens" project, consisting of the Golden Bridge, Golden Customs and Golden Card, which are as fol-

for 50 per cent and imports for

China is looking well beyood

2000 in the development of its

telecommunications sector. A

recent MPT position paper forecast that 420m lines would

be available in 2010, more

than double the figure for the

end of the century. In addi-

tion, a "broadband integrated

digital network" would be in

place to provide interactive

multimedia services in the

cities and developed coastal

the remaining 35 per cent.

• The Golden Bridge will provide a patchwork of data networks that will belp China modernise its internal communications services through high-speed links between gov-

ernment mioistries, state organisations and companies; • The Golden Customs part of the project involves upgrading customs service communications to make clearance of goods easier:

• The Golden Card programme is aimed at developing China's credit and debit card systems.

The MPT is just one participant in China's fast-expanding telecommunications market. Chief among the newcomers is China United Telecommunications (Unicom), a venture in which the ministries of railways, electronics industry and electric power are partners. It was established in 1994 and has moved quickly to establish Itself since then. Unicom is testing the state

monopoly in selected areas. It recently announced it would invest Yn80-100bn over the next five years to secure 30 per cent of the mobile phone market and a 10 per cent share each for local phone calls and long distance calls. This year it will further

expand its mobile phone network beyond big cities and coastal areas. It plans to add 16 cities to existing services in Beljing, Tianjin, Shanghai and

At present Unicom is obliged to "piggy-back" on MPT networks, but by 2005 it plans to bave its own national network in place, and by 2010 to become one of the world's telecom giants.

■ The Internet, multimedia and cable television: by Kris Szaniawski

#### As many strategies as countries net connectivity lags Europe

The region is pursuing telecoms development by a range of different routes

Governments across Asia have woken up to the fact that the region's economic future depends on rapid development of the information sector. But tbey have different views on bow best to achieve this.

Regional organisations such as the Asla-Pacific Telecommunity (APT) and the Asia-Pacific Economic Co-operation (APEC) forum, as well as individual states such as Singapore and Japan, have been busy announcing strategies to implement information infrastructures. Despite well-intentioned initiatives such as the grandly-titled "Seoul Declaration for the Asia Pacific Information infrastructure", made at the first APEC meeting on the telecommunications and information industries last May, most action has been at a national level.

Japan, Hong Kong, Singapore. Taiwan and Korea have travelled furthest down the road to a multimedia future. But countries like China, India, Indonesia, and the Philippines are still struggling to provide basic telephone services. The Japanese market is one of the most advanced, to 1994, a special advisory body - the Telecommunications Council published a plan that envisages the creation of a national libre-optic infrastructure, to be

completed by the year 2010 at

an estimated cost of US\$300-500

billion. It will cover 20 per cent of the population by 2000. The government expects that the multimedla market will create 2.4m jobs by 2010 and be as big as the car industry. The Telecommunications Council has recommended that private sector telecommunications and cable television operators should provide the bulk of the funding. The government intended to back this up with

made the terms more difficult. on whether to restructure NTT has also delayed progress.

interest-free loans, but the

Ministry of Finance has scaled

down the sums available and

Japan's numerous cable operators have been slow to embrace video-on-demand and interactive services because of mented nature of their industry. Since last year the government has been trying to encourage consolidation in the market by removing a range of regulatory restrictions.

Singapore was the first Asian country to formulate plans to develop a national information infrastructure, in August 1991 it published its Information Technology 2000

report. This ambitious plan. which pre-dates similar initiatives in the US and elsewhere, calls for the creation of an "intelligent island", where a fibre-optic communications network supports a large variety of advanced information services. Video-on-demand trials have already commenced. Singapore Telecom Is currently installing broadband optical fibre cables to link all

of the Island's main commercial and residential areas at a cost of around US\$100m a year. Singapore's small size, and the fact that most of Its residents live in high-rise blocks of flats makes this relatively cost-effective. Singapore bas

remained relatively highly regulated. Hong Kong has concentrated on liberalisation. The monopoly of the colony's main operator, Hongkong Telecom. expired in mid-1995.

Wbarf Cable's exclusive pay TV franchise was also to have expired last year, but on March 20 the Hong Kong government announced that it was delaying the expansion of pay TV until a review in 1998, limiting broadcasting deregulation to proposals for two new video-on-demand services.

China is channelling massive investments into telecoms. Five years ago the Ministry of Posts and Telecommunications began building a three-tiered telecoms network employing fibre-optic systems, satellite stations and microwave trunks. Last year alone China invested around £6bn to telecoms infrastructure. Even so the country still has one of the lowest teledensities in the

in South Korea the govern-ment is preparing to sell shares in state-owned Korea Telecom and open up the current duopoly to further competition. Korea Telecom has declared its intention to develop multimedla services national computer networks. domestically and telecoms projects elsewhere in Asia. The to register with the police. government has launched a plan to create a national informatlon infrastructure by 2015.

The Talwaoese government introduced legislation ending its monopoly of telecommunications at the beginning of the year and also has a national Information infrastructure

The level of demand for Internet services has been growing rapidly in the Asia-Pacific region. Its level of inter-

lar, entered the market.

thereby breaking the monop-

oly of semi-privatised NTT

DoCoMo, the mobile arm of

In 1994 there were around

2m cellular subscribers in

Japan. There are now more

Japan bas developed its own

nnique standard for digital

cellular services and cordless

systems, called, respectively,

the Personal Digital Cellular

(PDC) standard and the Per-

sonal Handyphone System

launrhed in Japan last sum-mer as a cut-price alternative

to cellular phones. They have

already won 718,500 subscrib-

in the Asia-Pacific region

varies. In Hong Kong for

example, cellular services are

bigbly deregulated and the

point operators, four cellular

operators, and 22 radio paging

operators. Cellular operators Pacific Link, Hutchison Tele-

com, Smartone and Hongkong

Telecom are locked in a price

war that has seen the cost of

India bas just thrown open

Its cellular market, issuing 36

mobile phones plummet.

etition is frenetic and cut competition is frenetic and cut throat. There are three tele-

The degree of liberalisation

PHS services were first

national carrier NTT.

than Sm.

and the US - the region still has fewer than 5 per cent of computers worldwide linked to the network. Australia and New Zealand still boast the highest penetration rates in the region, due to the dominance of the English language in internet services. The high cost of leased lines needed to support Internet services and the bottleneck of trans-Pacific cable and satellite links have also acted as a brake on

growth. Some of the region's governments are uncomfortable with the freedom of access to information necessary for an information economy. Since December the Chinese government has been tightening its control on the internet and other inter-Last month it ordered all users According to International

Telecommunications Union (ITU) analyst Mr Tim Kelly, the region's developing countries bave as much to gain from information infrastructure initiatives as developed economies. Building networks capable of providing both telephony and cable television services can for example, save money by preventing duplication of infrastructure and generating higher revenues.

## State company will play important role

Foreign investors are queueing up to participate in the liberalisation, writes Laura Tyson

Taiwan's telecommunications industry is to be liberalised after several years of debate and delay, starting on July 1 of this year. The state's monopoly on services will be dismantled and foreign participetion allowed for the first time. But concerns bave emerged as to whether private sector companies will be able to compete with the state-owned telephone company on

an equal footing. The value of the telecommnnications market in Talwan was estimated at US\$5.3bn in 1995, a figure that is expected to double by the year 2000. The strongest growth areas, and the most profitable, will be cellular telephone and paging services. The mobile telephone market is expected to reach 2m subscribers by the end of the decade and the number of users of pagers will jump from 2.5m to 5m. The value of switching equipment and bandsets alone during that period is estimated at US\$1.8bn for cellular and

US\$565m for paging.
The legislature made laws in January which will separate the telecommunications regulatory anthority from the government-owned provider of services, despite protests by the 36,000-strong employees' union against feared cutbacks in pay and benefits. A new state enterprise, China Tele-communications Corp (CTC), will be spun off from the existing Directorate General of Telecommunications (DGT), which functions as both regulator and operator of the telecommunications industry et present. Eventually the new entity will be listed on the stock exchange and privutised, Foreign investors will be allowed to buy a maximum stake of 20 per cent.

The main impetus behind the much-needed changes was Talwan's keenness to gain admission to the World Trade Organisation. Liberalisation of the telecoms sector was a requirement of entry. In addition the government is eager

to attract multinational corporations to invest in Talwan, as well as prevent domestic corporations from moving their telecommunications centres offsbore in response to the island's high costs and incfficient service.

Much of Taiwan's telecom munications infrastructure lags behind the rapidly rising demands of the market. An individual subscriber can wait five months for a cellular telephone to be delivered. Fastgrowing demand for Internet services bas swamped the DGT, overloading its systems. In an effort to catch up. Taiwan's Ministry of Transportation and Communica-

tions said on April 1 it intends to sign contracts with UUNET. a US-based provider of Internet access services in Jnne,

S TAIWAN with services beginning in July. The ministry says that withto two years. UUNET will

east Asia in Taiwan, according to the ministry. Despite some disappointment among both foreign and domestic telecommunications companies over the final version of the telecommunications law, it is generally agreed that It represents a big step forward and will pave the way for future deregulation as

establish its regional

operations centre for soutb-

the industry develops. Foreign companies are unhappy that a ceiling on foreign participation in domestic telecommunications ventures was dropped to 20 per cent from one-third at the last mtonte. Nonetheless the opportunities are so tempting that this change has not deterred them from trying to enter the market anyway. Foreigners will be altowed e

maximum 20 per cent sharebolding in common-carrier service companies, including domestic and international telephone services, cellular end paging services. Vsat (very small aperture terminal, a satellite link service) and CT2 phone services. There will be no restrictions on foreign investment in value-added network services such as fax and data forwarding, remote data

processing and un-line toformation services, including the internet, computerised alrline reservation systems, teleconferencing and format and cable conversion services. Varluus services will be liberalised in phases.

Foreign concerns are most Interested in "wireless" services, such as cellular telephones and paging. The DGT plans to issue licences to three private firms to provide regional mobile phone services. There will be one or possibly two licences each in the northern, central and southern parts of the island, and two licences to provide island-wide services. Two companies will be granted licences to offer national paging services and six others will be allowed to provide regional paging ser-

One Island-wide licence is expected to be reserved for CTC. Although draft regulations do not probibit one company from winning more than one licence, it is expected that the 15-year licences will be distributed among as many providers as possible.

At least ten of Taiwan's hig husiness groups, Including foods concern President Enterprises, Pacific Wire and Cable and the diversified China Rebar group are quening up to apply for licences. Many, if not all, are planoing to team up with one or more foreign partners. In late March. Hongkong Telecom, the British colony's leading telecommunications company, said it planned to acquire a 26 per cent stake in Talwan Telecommunications Network Services (TTNS), the largest private value-added network company in Taiwan. According to HK Telecom. TTNS plens to set np a Vsat and pager business in t996, and will hegin offering long-distance calling and International direct dialling services by 2001.

Other consortia expected to apply for licences include: Talwan's Formosa Plastics group, In co-operation with the US's Pacific Bell; Asla-Pacific lovestment, a local investment fund: Taiwan's Pacific Wire and Cable together with Motorola; and Taiwan's Teco, an electronics group, along with Sweden's

## flexes muscle

The rapid pace of reform has been slowed down by Beijing, reports Louise Lucas

Hong Kong has one of the most liberalised telecoms markets in the world, but the jury is still out on the extent to which that is offset by regulation.

The market bas only recently been prised open. Last July Hongkong Telecom relinquished its long-beld monopoly on domestic fixed line calls as the colony's pro-competition regulator ushered in three new operators - Hutchison Communications, New T&T Hong Kong (led by Wharf Holdings, an infrastructure to property conglomerate) and New World Telephone, the telecoms arm of New World Development.

When the three winners were announced in November 1993, Arthur D Little, the consulting firm commissioned by the government to assess the future market structure, calculated that the total market size would double in real terms over the next decade, from HK\$7bn (US\$900m) to about HK\$14bn, or HK\$28bn in prices of the day.

Consumers, It was estimated. would benefit to the tune of some HK\$1.7bn in real terms over the next 10 years, thanks to the discounts brought about by competing networks. In the event, liberalisation

did not happen as soon as was envisaged. China, whose blessing is required on all licences and matters straddling the June 1997 handover of sovereignty, stalled the process by some nine months as it deliberated over the winning hids This in turn knocked back the entrants: New T&T, for exam ple, has only just started signing up customers in the last

Nor has liberalisation proved quite what the operators, both new and old, had boped for The new entrants complain that key planks of their competing operations have not been decided upon, for example, allowing co-location at what are now Hongkong Telecom local exchanges, waiving the access deficit contribution and properly defining Hongkong Telecom International's external monopoly. All these

Mr Leslie Harris, president of

New T&T, says: "There is not enough deregulation because the licences were Issued without the regulations being in place to fully support them."

But if the new entrants have anibbles, so does Hongkong Telecom. The giant, which is majority controlled by Cable & Wireless of the UK, took a stolc view over the erosion of its domestic monopoly: local calls are already free and as long as the fast-growing international side remained its exclusive province, it felt there was little

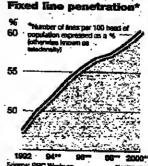
Hongkong Telecom retains its international exclusive franchise until 2006, but the new operators bave been able to exploit what is easily the biggest money spinner - interna-tional calls - by offering callback services, whereby an outgoing call is bounced back as a (cheaper) incoming call, sbarply undercutting Hongkong Telecom's charges

International calls provide 60 per cent of total revenues for Hongkong Telecom. The company still makes money from a new entrant's callbacks, as it receives a share of the income. Hutchison, which is part of Li Ka-shing's Hutchison Whampoa conglomerate, has been one of the most aggressive discounters, but all participants are fighting it out on prices.

Meanwhile the handful of

pure callback companies that have operated in Hong Kong for a number of years are determined to hold on to their market share. The battleground should yield at least one winner - the consumer. As Mr Harris says, "We will cut prices further. If that's what it takes, we will do it. We are not investing HK\$6.5bn (over 10 years) to be disappototed by indirect competition (effectively resale).

Price cutting is also the name of the game in the mobile market, a sector in which the rules have changed.



HONG KONG

Hong Kong now has four operators: Hongkong Telecom CSL Mobile, Hutchison, SmarTone and Pacific Link, part of the Hong Kong-listed First Pacific congiomerate. The Office of the Telecommunications Authority

tOFTA), the telecoms regulatory body, decided two years ago to extend competition in the mobile sector by awarding up to 10 new licences - up to six for the personal communication service (PCS) system and up to four cordless access service (CAS) licences.

The PCS licences, the main 1 thrust of the market expansion, were to have been nwarded last July but fell into the same trap as the fixed line licences - the interminable deliberations of Beijing via the Joint Liaisoo Group (JLG), the body charged with negotiating transitional matters.

The bidders have been active in the ensulng delay. It is understood that Hongkong Telecom, whose bid is understood to brive been unsuccess ful, bas lobbied Beijing to reverse OFTA's decision and award it n licence, while Hutchison is understood to have made a similar visit to Beljing, requesting that the six licences be reduced to four.

Reducing the shortlist to four is in accordance with what most of the industry wants as it is felt six new operators will result in squeezed margins. The delay, whether or not at the behest of Hatchison. has already bad an impact on the market: earlier this year Hutchison, with Pacific Link bot on its heels, began to slash its bandset prices. Tariffs are expected to come down sharply and some bidders are now no longer interested in the PCS licences as the figures no longer stack up.

While Hong Kong's telecoms market is undoubtedly attractive - allowing Hongkong Telecom last year to rake in profits of HK\$8.7bn - it is a highly mature one with penetration rates among the highest in the world. The long term attraction is China, which is broadly opposed to foreign investment for now. After the handover. many Hong Kong-based telecoms companies like to believe they will be perceived as

■ Celiular telephones: by Eden Zoller

## East to outstrip west in two years

Huge take-up of services means the region is one of the world's most lucrative markets

In two years the Asin-Pacific region will be the largest market in the world for cellular services. The number of its subscribers is set to surpass western Europe's this year and North America's in two years. By the cnd of 1996 there will be around 70m subscribers to cellular services in Asia-Pacific region, rising to 80m by the end of the decade, compared with only 21.5m nt end

One of the reasons for the dramatic take-up of cellular services in the Asia Pacific region is its the paucity of fixed line services.

Collular services are cheaper to supply than fixed-line telecommunications. and in emerging markets cellular phones can substitute for Digital cellular systems are

particularly ottractive as they offer grenter capacity and are of bigber quality than the older analogue systems. At the mnment analogue cellular systems dominate the market and at the end of last year accounted for 84 per cent of the total cellular market.

But the balance is expected to shift dramatically so that by 2004 most cellular subscribers will be on digital networks – about 88 per cent of the subscriber base.

Growth in Asia Pacific wili overtake Western Europe and



North America mainly because the latter markets are rapidly reaching maturity while key economies in Asia-Pacific are either in the midst of, or on the cusp of rapid growth.

This is already bappening in Japan, the largest and fastest growing market in the region. with more than 8m subscribers, which is forecast to have 42m by the end of the decade. China is set to follow Japan and is polsed for steep growth

research company MTA-EMCI predicts that by the end of the decade it will have more than 22m cellular subscribers compared with around 3.5m at

A key growth factor over the next few years will he increased deregulation of the celiular market

Japan illustrates the impact

liberalisation can have on a

market. In 1994 two private

sector operators, the Digital

present.

digital cellular licences to private sector operators that are join! ventures between local companies and foreign telecommunications operators. India ia highly unusual in that before the January issue of the 36 licences (two for each of the 18 regional franchising zones)

it did not have much of a cel-

trolled fixed-line network does not provide cellular services. and all that existed were the city-wide GSM services in six big cities. Taiwan and South Korea are at the other end of the regula-

tory spectrum, having compar-

atively closed markets. How-

ever, this is about to change as both have announced sweeptog plans to open up the market for cellular services. In January the government of Taiwan passed legislation ending the state-controlled operator's monopoly on fixed and cellular services, and also lifted the ban on foreign par-

ticipation to the telecommuni-

cations market. The South Korean government is expected in the next couple of months to invite bids for three national PCS licences, up to 11 licences for cordless systems, along with licences for radio paging networks. South Korea took the first step towards opening its cellular market last year when It licensed private sector operator Shinsegi Mobile to compete against state monopoly Korea Mobile Telecom.

where subscriber numbers are expected to soar - from 3.5m to 22m by the end of the decade. China's vast population has n tiny penetration rate for cellular services of around only 0.36 per cent. Demand for cellular services is very high, bowever, particularly in the designated economic zones in Guandong province adjacent to Hong Kong. The market is set to grow rapidly.

The market that everyone is

waiting to open is China,

#### appetites of equipment makers, writes John Burton

The rapid deregulation of the South Korean telecommunications market, which begins in earnest this year, is expected to give a big boost to the nation's ambitions of becoming a global supplier of telecom equipment.

Domestic manufacturers are expected to receive most new equipment orders as the number of Korean telecom operators multiplies over the next years. This will provide telecom manufacturers with a secure industrial base as they prepare to advance into export markets.

Competition in telecom services has been limited so far. State-run Korea Telecom has dominated the industry, with Dacom its only competitor in international calls and. starting this year, domestic

long-distance services. Korea Mobile Telecom, a former Korea Telecom subsidiary that is now under the control of the Sunkyong group, has held a monopoly in cellular

KMT will face a new chal-lenger in cellular phona services this spring, when Shinsegi, a consortium led by Pohang Iron & Steel and the Kolon textile group, enters the market.

In June, the government will award 30 licences in seven telecom service sectors, including personal communications services (PCS), trunked radio systems, international call services, paging, and wireless data transmissions. More entrants are expected to follow in 1997 when the government further relaxes licence require-

The fiercest competition for new licences is in the area of PCS, an alternative to cellular phones that is expected to be highly incrative once the service begins in 1998.

The government has served one of the three PCS licences for Korea Telecom, while another will be awarded to telecom equipment makers and a third to industrial groups not involved in mannfacturing equipment.

Although foreign operators now hold minor stakes in some cellular phone and other wireless systems, they are banned from the rest of the telecom market. In response to pressure from the World Trade Organisation, in 1998 foreign-



higher profits for telecom equipment makers. The prospect of new equipment orders has led to increased competition between domestic and for-

ers will be permitted to take a shareholding up to 33 per cent in most telecom companies, with a few important exceptions. Foreign stakes in Korea Telecom will be limited to 20 per cent and in Dacom and KMT to 15 per cent.

There is plenty of room for growth in wireless telecom services since the number of cellular phone snhscribers amounts to only 2m, which is one of the lowest penetration rates in the region et 3.7 per

Nonetheless, the deregulation of the telecom market and consequent price-cutting are expected to put pressur on the earnings of most established telucom operators, which have enjoyed high profits because of their monopoly

KMT, which is one of Korea's most profitable com-panies, could suffer as a result of competition from the new PCS system, which is expected to be less expensive for customers than cellular phones.

While deregulation poses a threat to current telecom ope ators, it will probably result in

communications is the government's demand that cellular phone and PCS operators adopt an advanced digital wireless transmission system known as code division multiple access (CDMA). Although CDMA was developed by Qualcomm of the US, Korea this year became the first country in the world to

eign suppliers.

Korea's four main telecom

equipment producers - Sam-sung, LG, Daewoo and Hyun-

dai - control 70 per cent of the

market for switching equip-

ment after they helped finance

a state-supported project to develop the country's first

high-capacity exchange, the

TDX system. AT&T of the US

holds the remaining 30 per

cent market share with its

Foreign telecom equipment

makers, however, fear that their market share is on the

decline as Korean telecom ser-

vice companies are pressured to select domestic suppliers.

ernment has chosen telecom

munications as a new strategic

industry for the country.

Another is that Korean tele-

com equipment makers have

become shareholders in tele-

com operators, which will sig-

nificantly influence their pro

One example of Korea's

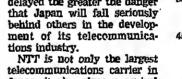
quest for self-reliance in tele-

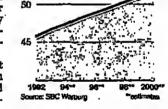
curement decisions.

5ESS switching system.

commercialise the system on a national basis. Analysts helieve the intention was to give Korean companies a headstart in supplying the CDMA technology to other countries that adopt the standard. Korea has already won small export orders for CDMA equipment in tha US and Russia. The dominance of domestic manufacturers in the esti-

mated \$4bn CDMA market in Korea has added to foreign bargaining. concerns that the country's telecom market is still largely closed to competition from





# NTT delays brake market

Japanese bureaucrats are not used to being rebuffed. But for the past decade, the ministry of posts and telecommunications has had to live with the bitter taste of fallure in its effort to break-up NTT, the country's dominant telecommunications carrier.

Political inertia is

break-up of NTT's

Michiyo Nakamoto

monopoly, says

delaying the

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Last month the ministry was, for the second time thwarted in its crusade to split up the telecommunications giant, by politicians unwilling to take a move that could have grave consequences when they face the electorate some time before next summer.

The ruling coalition, which has the final say on the status of NTT, postponed e decision that was expected by the end of March, leaving not only NTT hut the whole future of the Japanese telecommunications industry in mid-air.

The politicians' indecision shows the extent to which telecommunications policy in Japan has been driven by short-term political consider-

Until a few months ago, it looked as though the ministry's bureaucrats were finally going to see the fruits of years of preparation. Their carefully constructed arguments in favour of a break-up had won over public opinion, and an influential government advisory panel had also called for dismemberment. All that was left was to rally the politicians to their cause.

Unfortunately for the ministry, the Japanese government currently a coalition that includes the Social Democratic Party. The latter has strong ties with NTT's powerful labour unions, which are concerned that a break-up would threaten jobs and collective But the longer a decision on

NTT's future structure is delayed the greater the danger



On hold: uncertainty over NTT creates headaches for other op

ment. It is also the only carrier capable of providing long-distance carriers as well as cellular phone companies with the crucial link to bome

Since NTT was privatised and the market was first opened to competition in 1985. the number of carriers bas risen from just two to 2,928, including those which do not have their own infrastructure. Rates have come down sub-

stantially and a variety of new services have been introduced. For example, long-distance rates between Osaka and Tokyo have fallen from Y400 Fixed line penetration\*

"Number of lines per 100 head of acquision expressed as a %

(\$3.7) for a three-minute call in 1955 to Y180 for NTT and Y170 for its compelltors. New services which offer

users discounts on monthly long-distance calls or on calls to specified numbers have been launched. But there are serious con-

cerns that the development of Japan's telecommunications industry is lagging behind competitors, in particular the US, and that this gap is widen-

Japan runs a large deficit in the trade of telecommunications technology, according to the telecommunications council. a government advisory panel. In the three years between 1991 and 1994, Japan fell behind the US in R&D in the telecommunications field. the council warns.

Japanese ielecoms companies offer fewer services than their US counterparts, it notes. Compared with the 17 types of discount services offered in the US by AT&T. Japan's largest domestic carrier offers only

What's more, there is still a



industrialised countries. Tciephone subscription charges are four to 13 times bigher in Japan than in the US, UK, or Germany, the council says. High telecoms rates also

impede individual use of online services, such as the Internet, putting a damper on the emergence of new businesses. The telecommunications council, which has spent the last year debating the future of Japan's telecommunications

industry, and the telecoms mloistry, take the view that further competition in the domestic market is needed. Although critics of the ministry charge that this can be introduced through further deregulation, both the council

and the ministry claim that even with greater deregulation. the domination of the local actwork by NTT with commute to stifle competition. NTT's monopoly of the local

loop has meant that competitors in the long-distance nurket are paying nearly 50 per cent of their revenues in interconnection charges to NTT. They have also been prevented from introducing new services as speedily as they much have if NTT had willingly provided access to its local network, Serious competition in the

local network is unlikely to emerge even with greater deregulation, due to the prohibltively high cost of laying teleconingunications lines to homes, the ministry believes. If the goal of introducing

greater competition and dynamism into the Japanese telecoms industry is to he achieved, the alternative to a break up of NTT would be a combination of greater deregulation and stricter controls on NTT, to ensure its local network interests do oot prevent it from giving long-distance competitors fair access. Besides going against moves

towards fewer government controls on industry. NTT's history of being under the thumb of the telecoms ministry should make it loath to choose that option. But judging from its fierce resistance to any form of demerger, NTT no doubt sees the former prospect considerable gap in rates as the lesser of two evils.

## A second opinion is needed

A big sell-off is due could bring in proceeds of around A\$80n (US\$6bn). in 1997, but politicians are prevaricating. writes Nikki Tait

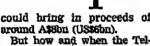
The next year is likely to be crucial for the Australian telecommunications industry.

For more than five years, the sector has been edging towards full deregulation. Now the date on which open competition is due to start - the end of June, 1997 - is close at hand. But regulatory guidelines and legislation to support the new regime have yet to be determined, and the election of a conservative coalition government last month means that some of the groundwork laid by the previous Labor administration will be revisited.

The hubbub of ectivity over the future industry environment will be increased by the fact that both of Australie's big telecommunications groups are moving towards stock market

Optus Communications. which was set up to provide competition to the government-owned Telstra group in the early-1990s, says that it is looking at a flotation in calen-dar 1996. It is currently owned by a mixture of foreign and domestic institutional and corporate investors.

The situation at Telstra whotly-owned by the federal government, is more complex in the course of the recent federal election campaign, the Liberal-National coalition pledged to sell off one-third of the carrier's shares during the current three-year parliamentary term. Stock market analysts estimate that the sale

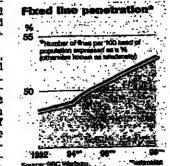


start: Korean companies could have an advantage in the race to sell CDMA equipment internationally

stra float will proceed is unknown at this stage. There are potential political complications because the Australian Democrats, one of the minor parties who hold the balance of power in parliament's upper house, are opposed to the sale. The scale of the privatisation and the restrictions which the coalition has indicated would be placed on foreign ownership - may also tax financial advisers when the flotation mechan-

ics come to be devised. Nevertheless, the government is expected to start laying the foundations for Telstra's privatisation in its first parliamentary session, which will start in late April.

In the area of hroader deregulation, the new government inherits a fairly well-developed framework from its predecessor. Last August, Labor handed down 99 policy principles which were to form the basis of the post-1997 communications environment. Key elements were the removal of any restrictions on the number of network providers/installers; no restriction on the number of carrier licences; and open and



seamless network access for all

The regime envisaged fairly stringent social conditions. Carriers, for example, would be required to offer codes of practice to ensure consumer protection. In addition, they would have to draw up industry development plans, "detailing involvement with the Australian telecommunications supply industries".

Critically, Labor'a proposed framework also relied on industry-devised codes of practice covering interconnection rights and access. These were to be registered with the Australian Competition and Consumer Commission, the country's main competition watchdog, which would supervise all activities relating to

The broad expectation is that much of this - including the lack of limit on the number of new entrants to the market and the statutory right of on board by the coalition.

in recent weeks, there have been some urgings from within the industry to either delay the process or rethink the principles: Telstra, for example, is known to favour a more generic competition model, whereas Optus is emphatic that industry-specific legislation is essential, given Telstra's market dominance. But any substantial backtracking on the timing and nature of deregulation would open the government to heavy attack, and run counter to election

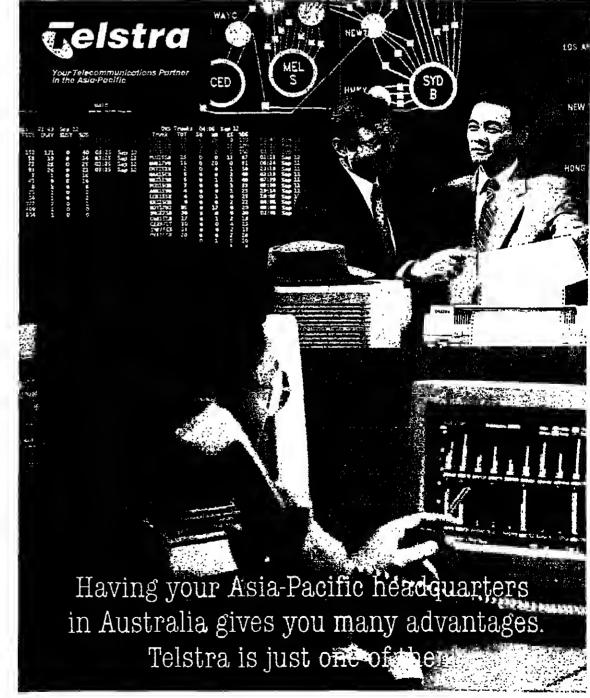
That said, the coalition is Japan, it also plays a central expected to incorporate a few role in technology developfor example, to impose a "cus tomer service guarantee" on telephone companies."This would entitle consumers to rebates on their bills if service on new connections and repairs fall below set standards. It also promised to make high-capacity digital linka widely available in both metro-

politan and rural areas. In any event, the timing will be tight. Telecoms executives say that their best hope is that the revised draft legislation can go out for consultation in e few months. This would allow the industry to offer comments during Australia's winter in time for the legislation itself to he introduced into parliament in the last quarter of 1996.

The industry expects to get to work on the access codes separately and have these in place by March next year at the latest

In spite of the uncertainty over the legislative framework there is already speculation over how the market will develop after the middle of next year. Mr Robert Simpson, director with responsibility for legal and regulatory issues at Optus Communications, claims competitive pressure should not mount too fiercely as a result of the proposed deregulation.

He points out that there are already a large number of international telecoms companies - including British Tele com and Telecom New Zealand's Pacific Star - who are actively providing resale ser-vices. "Very few are going to become carriers, and we have already been living with ser-



For companies wanting to establish a regional telecommunications network in the Asia-Pacifix, Telstra offers o total package. As one of the lorgest telecommunications companies in the region, we can provide reliable, cost-efficient telecommunications networks individually toilored to meet your company's needs. Add that to Australia's other advantages - the well established infrastructure and facilities of a modern society, a stable political environment, competitive office rentals, a highly skilled multicultural workforce that is sensitive to business needs and you'll see it's definitely worth talking to Telestra. Already over 80 leading multinational corporations have selected Telstro as their Asian telecommunications partner. They include companies such as Accor, Asea Brown Boyeri, Cothoy Pocific, Ericsson ond Novell. After 40 years in Asia, we understand how things work in the region better than any other telecammunications corrier.

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## Two more join the scrum

Terry Hall finds stiff competition among global operators trying to enter the market

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Many of the world's higgest lelecommunications companies are slogging it out to win business in New Zealand, which considers itself the most dcregulated market in the

Last month two more joined in: Telstra of Australia, and Britain's BT which took a quarter share in Clear Commnnications, the country's second largest telephone network. Others include MCl International, which is also a Clear

Bell Atlantic and Ameritech control Telecom New Zenland, the former Post Office utility.

owned by the Singapore Telecom, is an aggressive competitor in the cellular business. AT&T is also active in this market, and the Todd Corporation of the US is a key stakeholder in the entertainment cable channel, Saturn. The government relishes the

competition. Maurice Williamson, minister of communications, says that New Zealand's "unique" lack of competition over the past six years is producing real benefits for business efficiency and ordinary consumers. He says that by deregulating telecommunications, part of the sweeping free mar-ket reforms of the past decade, New Zealand has been placed at the leading edge of social and economic change. Telephone deregulation was a factor in the country's strong NEW ZEALAND

Mr Williamson, a staunch advocate of "light handed" regulation, argues that a competitive environment with few rules encourages efficiency, provides customers with a greater choice and lower cost services, and encourages a fas-

ter uptake of new technology. Following this policy, Mr Williamson effectively stood aside from industry issues. This included the five year legal battle between Telecom and Clear over the latter's rights to access to the Telecom network. This was resolved between the two companies in late March and a few hours later BT announced it was buy-

ing its stake in Clear. The competing companies

have invested substantial sums establishing themselves in the market. Telecom is spending around NZ\$500m (US\$343m) a year upgrading its network. Clear has invested NZ\$160m. and Bell South bas spent NZ\$170m on building up its cellular network. A number of New Zealand

owned companies are also aggressive competitors. They include BCL, which is controlled by Television New Zealand, and Sky Television, which is developing a mobile digital radio system. The new arrivals, BT and Telstra, have both signalled they intend to play key roles in the industry.

BT is expected to help Clear grow its market share from its 25 per cent level, and Telstra says it will invest heavily to ensure it has 10 per cent of the local market within three

## 4 ASIA-PACIFIC TELECOMMUNICATIONS

A monopoly under siege SingTel will face its first domestic competition next year, writes Jenny Walker

While its neighbours have been rapidly liberalising their telecommunications markets. ingapore has remained one of the world's last bastions of the telecoms monopoly.

Stogapore Telecom (SingTel), which is still 89 per cent owned by the government, holds an enviable monopoly to provide local, international and wireless services.

SingTel has thrived under the guidance and protection of the government. It bas developed the island's telecommunications networks into one of the world's most advanced. Fibre-ontic cables criss-cross Singapore like a subterranean web, running into thousands of offices and homes

Indeed by most traditional measures. Singapore's network ranks alongside the very best: it is on a par with the UK, with 46 lines per 100 head of population. But it is well ahead of its former colonial owner in net-work digitalisation - Britisb Telecom's (BT) network is still a little under 90 per cent digital whereas Singapore's has

long been 100 per cent digital. Despite the lack of competition in its domestic market, SingTel has a reputation for being both entrepreneurial and progressive in its use of tele-

Singaporeans spend far more on telecommunications services than almost any other nationality, so the company bas been racking up considerable profits. SingTel, which is the largest listed company on the Singapore Stock Exchange. produced pre-tax profits of US\$1.26hn last year.

toternational calls account for a sizeable counk of Sing-Tel's revenues - a little under half of the total last year - and the company has seen its operating margins squeezed following a series of IDD (international direct diall rate cuts over the past two years. However its monopoly over the telecoms sector means it has far less to worry about in this regard than many of its peers. Hongkong Telecom, lts long-term rival for regional huhhing husiness in the Asia-



three new fixed-line competitors cut slowly into its internatiunal call revenue streams.

Industry analysts have been more troubled by the impact of SingTel's overseas investments than they have by any fall in IDD income. The company been steadily piling up acquisitions over the last few years culminating in the acquisition of a shareholding in Belgacom

SINGAPORE

in March of this year.

The 13 per cent stake in the Belgian national operator. which SingTel bolds through its share in a consortium that also includes Ameritech of the US and the Danish phone company TeleDanmark, will set it back around \$670m. Prior to the Belgacom acquisition. Sing-Tel said it was already expect-Ing losses from its overseas investments to peak over the next two to three years.

SingTel has long held the aim of making its overseas activities its principal growth drivers - well ahead of compétition in the domestic market and has made investments in a pletbora of ventures worldwide. These span interests as diverse as cable TV in Stockholm and cellular services in Suzhou, China, In Asla Its strategy has been to snap up

joint ventures with local firms; in Europe it has taken direct equity stakes.

SingTel now has 28 investments in nine countries around the world. Analysts agree that the international market will produce most of the company's future revenues. They warn, however, that Singtel is likely to continue to shoulder losses from these investments for some time to

Underpinning SingTel's domestic market and overseas, has been the government's strategy of using communications as a key springboard for economic growth.

Government policy has encouraged SingTel to pursue a two-pronged growth strategy: to take advantage of high-technology developments and expand its range of services in the domestic market, and to exploit overseas investment opportunities at the same time.

The government and the sector regulator, the Telecommunications Authority of Singapore, have come in for frequent accusations of double standards, however, in relation to SingTel's protected status. As Singapore is expecting openness in markets overseas. many observers - including a number of World Trade Organisation members - believe lt has been less than fair in the opportunities it offers in its

"pro-competition" policy is making steady headway. Nevertheless SingTel will still be offering fixed-line services without any competition well

into the next century. The first real cracks in Sing-Tel's monopoly will emerge in Around May of that year a

new cellular operator, MobileOne will make a hig publicity splash when it launches the first alternative to SingTel services in cellular phones and paging. The company is a joint venture between the local Kenpel Group, Singapore Press Holdings, Cable and Wireless and the latter's highly-successful Hong Kong subsidiary. Hongkong Telecom

MohileOne has had a long time to prepare for its debut. It is planning a dual assault on the husiness and residential markets by launching two simultaneous cellular networks, in what it legitimately describes as a "world first".

Cellular phones and pagers have proved extremely popular in Singapore as they have elsewhere in Asia. Even with one of the bighest penetration rates in the region, at over 8 per cent, SingTel's mobile unit, MobileLink, was still piling on subscribers at a rate of 6,000 a month last year.

The Singapore cellular market is set to become a battle ground as MobileLink and MobileOne struggle to win the

## A shake-out is on the cards

Operators await their fate as a thinning of the ranks impends, says Sid Astbury

In telecoms, choice is fine hut six phone companies. seven cellular firms, and three payphone operators does seem excessive for 19m people.

That is the current thinking in Malaysia, where the government has just gone through the embarrassment of repndiating a plan for the telecommunications industry that it proveiled with much fanfare only two years ago. After showering licences on lots of local contenders, officials in Knala Lumpur now say that too much competition is bad, and that some of these permits

will have to be revoked. According to Prime Minister Mahathir Mohamad, the man responsible for both the 1994 blneprint and its 1996 reversal, mergers leading to the creation of three or four companies are needed. Mr Leo Moggie, the minister of telecommunications, is more precise. He says the top limit for full service operators is three.

The fate of cellular companies and payphone operators may be decided later but there is expected to be winnowing there as well. Mr Moggie refuses to name the lucky trio but the likely winners are :

Telekom Malaysia, the mostly government owned former monopoly provider that was listed seven years ago and is now the biggest company on the Kusla Lumpur Stock Exchange (KLSE)

Technology Resources Industries, hetter known as TRI, the listed parent of Celcom, which runs the country's most successful cellular service with more than 75 per

cent of all subscribers ■ Binariang, a latecomer scheduled for a KLSE listing this year or next and already 20 per cent owned by the Baby Bell, US West. In January H launched the country's first telecommunications satellite. and plans through this to

expand from cellular to wired

services, including multimedia

and television. The likely losers are: ■ Time Telekom, politically well connected and a member of the giant Renong group. It came to the sector late but has ploughed money into a fibre optic network stretching a

There would be a political price to pay if Telekom's shares took another beating on the market

total of 2,700 kilometres ■ Muttara, an offshoot of Vincent Tan's Berjaya Group, which has not invested heavily yet. It could decide to sell hnt stay in business as a cellniar

Syarikat Telefon Wireless, a tiny company with only 1,000 snbscribers and a very long shot for success. It seems unlikely to complate too much when the are finally falls.

There are flaws in Dr Mahathir's reasoning that mergers are needed in an overindulged industry. Why would a telecommunications company that is allowed to operate want to buy one that cannot and how can redundant telecommunications capacity be

That said, however, there is



a lot of support for thinning the ranks - whether ordained by the government or orchestrated by market forces. Mr Martin French, the managing director of Credit Lyonnais Securities in Knala Lumpur believes there are too many

A typically Malaysian solution would be for the wtoners to buy ont the also-rans at close-to-market value. A scenario where the losers hring hreach of contract sults against the government is

If they did object strongly, they would face being frozen out of any future contracts awarded by the current group of pollticians. But whichever way the

impasse is broken, Malaysia's privatisation programme will lose credibility. The govern-ment seems likely to intervene in the market to pick winners after promising just two years ago to leave the telecommunications sector free from state interference.

Yet the alternative to government intervention is none too attractive. Allowing too many contestants to slug lt out would not only be painful for the combatants but also for the banks which are financing

There is another rationale for the government's decision. The promise of a free-for-all has hlighted confidence in the KLSE's top stock, Telekom, which is trading way off its highs. There would be a political price to pay if Telekom were to get another big battering in the market. It is a favorrite of small Malaysian

investors and is often the only

blue-chip stock which they hold. The government ruling is, therefore, a pre-emptive

strike. Analysis say Telekom has yet to feel the heat from competitors in either its domestic or international husiness. According to Mr Tim Leaky. an analyst with HG Asia, investors are going in have to recognise the risk from compe-tition un Telekom's carnings

Mr Soon Teck Onn, an analyst with Baring Securities in Kuala Lumpur likens the situation to o race in which the three back-markers drop out. "That doesn't lessen the com-petition at the front." But the government is not out of the woods yet. Time and Mutiara have both signolled their unwillingness to simply throw in the towel and give up their international gateway licences. Time has invested (1881.6hp and has yet to see a sigoificant return.

The government is haplag these two can be persuaded to merge or to operate independently as service providers to the winning trio.

The shake-out among the full-service providers is not seen as a pottern fur what will happen in the crowded cellular sector. The seven companies desperately seeking customers ong Malaysla's one millluu handphone users are expected to merge with each other without an invitation from the government to do so. Alreody there is talk that the field will soon be down to five.

Olle Ulvenholm, the managing director of Swedish telecommunications giant Ericsson's Malaysian operotton, notes that mobile phone penetration has reached just 5 per cent of the population and is expected to rise to 10 per cent hy the yeor 2000. There is

## Sell-off delays test patience

Controversy has slowed the sale of the main telecom utility, says Farhan Bokhari

The response of investors to the proposed privatisation by summer this year of Pakistan Telecommunications Corporation (PTC) is going to be an important test for the rest of the country's programme for selling off state corporations. in the period of more than

five years since the government decided to sell public sector companies, delays in bringing PTC forward for sale have tarnished its image. The plan now involves the sale of 26 per cent of the shares and the transfer of management control to a new buyer. The privatisation of PTC was

first dogged by concerns over national security matters, with the defence forces arguing that privatisation would expose the state's telecom network to dangerous influences. The government subsequently agreed that part of the money raised would go towards creating a new. secure network for Pakistan's government offices and defence forces

A rapid fall in the company's share prices in the months following the first sale of 11 per cent of its shares, to August 1994, also resulted in further controversy. Many investors became concerned after revela-tions that the company had overstated by up to 25 per cent the number of telephone lines in service, rendering projec-tions for future revenues inac-

The government now aays that it has thoroughly reviewed all information going to potential clients to avoid a repeat of past mistakes, and it has been at pains to stress the company's attractions for investors. Pakistan, with a population of 130m, has has only round two phone lines for

to the new management, including a seven year monop-

Mr Naveed Qamar, chairman of the government's privatisation commission says that a new buyer would not only find lucrative opportunities in Pakistan but also across the surrounding region. "It is the entire telephone network of a (1995-96). gateway into central Asia".

The PTC earned a net profit of Rps16.835hn (\$495.1m) for the fiscal year wblcb ended in June 1995. Profits for the current year (June 1995-July 96), Rs18.767bn (US\$551.97m), an southern port city of Karachi.

PAKISTAN increase of more than 11 per cent. Revenues totalled

Rs33.06bn (\$972.35m) last year (1994-95), and are expected to increase to Rs38.1bn. (\$1.12bn.) during the current year very large country, strategi- Many investment analysts,

cally located....as a way of including Mr Nader Morshed, entry into south Asia and a chief executive of Taurus Secuin Karachi, are convinced that a successful conclusion of the PTC deal would help the country's overall business climate which was badly affected hy

rities, a large brokerage bouse affect investors' valuation of the company. are projected to rise to last year's violence in the

will raise more than US\$2bn but many independent analysts predict bids considerably lower than government expectatlons. Stock market conditions, and the earlier controversy over the PTC, have together forced the company's share value to drop by mbite. than 30 per cent in just under a year, and this is expected to

Some officials are hoping that the 26 per cent share uffer

Last year's closure of mobile telephone services in Karachi (see accompanying article) may also worry potential investors. One leading husinessman says: "A precedent has been set that real or Imaginary security issues can cause a closure even of sucb an essential service. The government will bave to convince buyers that such action will

not be repeated in future." The new huyer's ability to continue to exercise control over the company's management from a base of only 26 per cent of the shares is a further cause for concern. A leading stockbroker in Karachi says: There will be room for management takeovers and hnyouts by others....because the 26 per cent ownership will only be a minority stake.'

He suggests that the government give written guarantees that the 26 per cent stake would be equivalent to e 51 per cent voting stake on important issues such as a change of

Government officials in islamabad play down such concerns, arguing that the seven year monopoly licence and twenty five years operator licence should be sufficient guarantees. The government is also prepared to give the first option for the purchase of another 25 per cent shares to the new owner of the PTC, in about two years time after the initial purchase, enabling the stake to be raised to 51 per



## Immobile communications

Farhan Bokhari, describes the impact of a ban on mobile phones in Karachi

A group of traders in the middle of the trading floor of the Karachi stock market shout into their phones, taking orders from clients. Just a year ago, this would have gone unnoticed. But now carrying a phone in public can make yon an outlaw.

Karachi's security problems last year prompted the government to ban the use of mobile telephones and pagers in the city. The action was taken on the advice of mielligence agencies and was intended to disrupt the

groups. More than 2,000 people were killed across Karachi last year. Many died in armed encounters between paramilitary troops and local militants, who are demanding more political representation

The closure has dealt a severe blow to the city's husiness confidence, Mr Zaffar Moti, a stockbroker says: "Our speed and efficiency has been affected. Lahore (Pakistan's second business city) has an edge over us because they bave mobile phones." Stock market traders have

switched to long range cordless phones, connected to base phones in nearby offices, which are still legal. But the price of these phones has doubled in some cases to

Rs55,000 (\$1,540) each. The country's three mobile phone companies and two pager services are reeling under the pressure of the closure. Almost a third of the 65,600 mobile ph connections in Pakistan were held by clients in Karachi. One top executive of a mobile phone company says the companies have lost up to \$20m in revenue and have had to cut staff. Local businesses estimate that the three companies known as Mobilink,

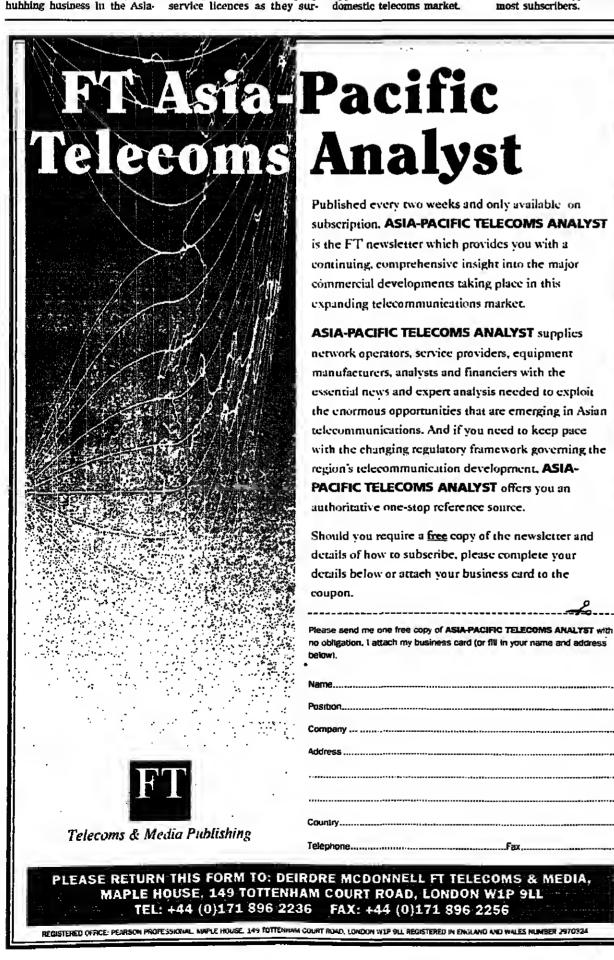
in Pakistan. The closure has also intensified worries over Karachi's security problems. Users once counted on their mobile phones to call for help in an emergency.

Paktel and Instaphone, have

together invested up to \$160m

One Western diptomat in the city says; "Many people saw the mobile phones as an Important security aid. The closure has added to their sense of insecurity. Not everyone can use a weapon so the phone was the next best Some businessmen claim

that the closure has been futile because the milltants have switched to other means of communication, such as powerful wireless sets. In recent months a security clampdown across Karachi has helped to restore calm. Encouraged by its recent successes in hunting down armed militants, the government has begun a review that could ellow mobile phones to be used again hy this summer.



After serious initial delays, a rickety network is being shaken up, says Mark Nicholson

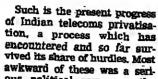
Of more than \$2bn in actual foreign direct investment inflows India expects to receive this coming year, an estimated 15-20 per cent will be devoted to the telecoms sector.

In little over a year since the government detailed its plans to allow private and foreign companies to compete with the existing, overstretched public network, the country's highly ambitious telecoms liberalisaion programme is, after some hiccups, well under way.

The government has held two bid rounds for private provision of basic telephone services in 20 "circles" - roughly equivalent to Indian states and secured commercial bids for all but eight Licences are due to be granted for the winning foreign-Indian combines to begin work within weeks. A third round of bidding for the remaining circles, mostly in India's poorest regions, is due to open on April 15.

Cellular services started in India's four biggest "metro" cities, New Delhi, Bombay, Calcutta and Madras, in autumn of last year.

By this autumn, cellphone services will begin their conquest of India's other big citles and, increasingly, better-populated rural areas. This is the fruit of a concurrent bid round to provide two competing private cellular operators in the 20 regional circles defined by the department of telecommunications (DoT). So far 34 Indian-foreign joint ventures have secured licences in 18 circles, the exceptions being the remote Andaman and Nicobar islands and the troubled state of Jammu and Kashmir, Each of the 34 bid winners is obliged to begin services by the year's

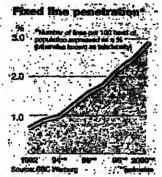


ous political row over the award of the first batch of licences for provision of basic services, nina of which were won by the little-known Himachal Futuristic Communications Limited (HFCL) with an initial total bid worth Rs350bn (\$25bn), a figure well in excess of its competitors and one considered unfinanceable by bankers and competitors.

The government's decision following this first round to cap the number of circles for which any single company could hold licences to three, for the potentially richest zones. led to an outcry from opposi-tion politicians that Mr Sukh Ram, telecoms minister, was effectively bailing out HFCL, a company based in the minister'a home state.

Earlier this year the government opened re-bidding for the basic services circles vacated by HFCL. To the annoyance of hidding companies, it rejected 15 of the 20 initial bids it received as "unreasonably low", and imposed reserve prices for each, in all cases higher than those secured in the first bidding round.

The government has since lowered the reserve prices for the states of Kerala, Madhya Pradesh, Uttar Pradesh (east). West Bengal, Andaman and



(india

the North East, which received no renewed bids. A third round of bidding will open for these circles in April.

The success of private entrants to India's basic services is the bedrock of the government's telecoms policy -critical to its desire to lift telephone density from the pres-ently miserable level of one telephone per 100 citizens. The government'a goal is to increase this figure to six per 100 by early next century, still only tha average for other developing countries, and to have at least one telephone in each of India's 600,000 villages. By last year, 48,000 villages

its own services, but cannot keep up with demand, or provide the investment needed to do so. Last year it added a record 1.7m new lines, 22 per cent more than the preceding year, but this still left an official waiting list - which con-siderably underestimates suppressed demand - of 2.1m potential subscribers. By tha end of last year, the state had 20,455 exchanges offering a capacity of 12.8m lines, of which just 10.6m were actually working. The miniatry itself has hudgeted to spend Rs387bn between 1995-97, 76 per cent of which is due to be financed

The DoT continues to extend

least, it will be the growth of cellular services - in which the state is not present - which will command the hulk of investment and progress. Not all of the 14 joint Indian-foreign telecoms ventures licensed for the 18 cell circles have-finalised their partnerships. Most ara still in the thick of finalising supplier contracts and financing. The latter objective may be difficult to chieve in current straitened

But for the next year at

from internal resources.



Celiphone groups are expected to need a total of more than \$5bn over the next two or three years to begin operations.

Some groups, nevertheless, have already begun staffing and equipping cellular services, which could become operational by October in states including Gujarat and rural Maharashtra, Uttar Pradesh, Orissa and Bihar.

The combine of AT&T with the Birla group, the diversified Indian husiness house, has already settled on sites for its General System for Mobiles cell sites, awarded a Rs5bn equipment contract to Ericsson of Sweden for cell sites and switching stations and begun

needed to support its services in Gujarat and Maharashtra. The company expects to have between 35,000 and 40,000 subacribers within a year of starting up.

Meanwhile Koshika, the tele coms arm of the Indian Usba Group, is finalising its partner-ship with Philippines Telecom, but has also already awarded a \$100m supply contract to Alcatel, the French telecoms group, to equip cell sites in the contiguous states of Uttar Pradesh, Orissa and Bihar three of India's poorest. Despite the predominantly rural areas it is to cover, the company believes it can win hetween 2m-3m subscribers within a decade, and around 400,000 within the next two to

## Tiny but ambitious

Foreign investors are entering this market through

joint ventures, says Manuela Saragosa

Indonesian telecoms have come a long way over the past two decades. Business executives in Jakarta note that in the 1970s it was quicker to send a message by courier and wait for the reply than it was to make a call within the city. Indoset, Indonesia's statecontrolled international tele-

in New York and Jakarta along with Telkom, the domestic telecoms company, which also has a listing in London. In addition, foreign telecoms companies have paid billions of dollars to secure a slice of Indonesia's telecoms market.

Indonesia's market is currently tiny - as of mid-1995 there were only about 1.45 lines per 100 inhabitants and no more than 150,000 subscribers to mobile phone systems. The high level of foreign interest reflects the perceived potential of Indonesia's telecoms market. In e country with 200m peo-

ple and rising GDP per capita, development of telecommunications is a priority for government. The sector has been the focus of a significant overhaul over the past year. This bas involved opening the market up to foreign investors and offering them opportunities to expand local line networks, cellular operations and satel-

Private sector interest has been high despite regulatory risks. The government is vague on its future telephone tariff policy and no proposals have been published on how many mobile phone operators will be given licences to operate in the country.

Unusually, Telkom has the legal right to own a stake in all companies offering telecoms services. Indosat meanwhile owns a minority stake in its direct competitor, Satelindo. It is a situation which some industry analysts say

Last year, a local English-

monopoly held by the Vietnam

Posts and Telecommunications

(VNPT) would be broken with

the award of an operating

licence to Sigelco a ministry of

defence subsidiary. Sigelco

would be allowed to join with

foreigners in setting up and

operating the rival network in

what would be the country's

first move towards market

However a week later, the

office of the government

printed a different story in the

same paper, denying that Sig-

elco would not be allowed to

compete with VNPT and that

the intention was merely to

allow the ministry of defence

to enter into equipment manu-

facturing ventures, of which

there are already six with for-

Since then, it has emerged

that Sigelco did get the

go-ahead for a second network

and, renamed as the Military

Elactronic Talecommunica-

Mobile telecomms services

Pagers

eign involvement.

deregulation.

as competition between vari-ous telecoms service providers intensifies.

Nevertheless the amount of private investment has been substantial particularly for mobile phone services. Prices for mobile phone

bandsets are falling as the government progressively reduces import tariffs. This is expected to boost the market's size. Industry participants expect there will be a million snhscribers in Indonesia by 2000 and that Global System for Mobile (GSM) operators will account for two thirds of market share.

In February PTT of the Netherlands beat Cable and Wireless of the UK and Australia's Telstra Corp in the con-test for a US\$304m, or 17.3 per cent, stake in Telkomsel, a GSM operator in which both Telknm and Indosat own shares. That deal followed the striking of partnerships between two other GSM operators, in the first of which Deutsche Telkom's unit DeTeMobil hought a 25 per cent stake in Satelindo for US\$586m in April last year.

Satelindo competes with Indosat in offering international call services, although competition is restricted to marketing rather than pricing of calls. The government has decreed that the international long-distance sector will remain a duopoly until the end Satelindo's share of outgo-

ing calls is increasing. Indosat meanwhile faces growing com petition from US-based "call back" services. In recognition of the challenge, Indosat last year paid US\$20m for a 20 per cent stake in US Global Link, an lowa-based "call-back" service provider.

In October Nynex Corp of the US joined Japan's Mitsui and the Asian Infrastructure Fund in buying a stake in another GSM operator called Excelcomindo.

Nynex's purchase of the 22 per cent shareholding caused some consternation because the government had initially said that only two companies - Satelindo and Telkomsel would be given GSM licences.

INDONESIA

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Only one other mobile phone operator - Mohlsel which operates a national analogue for a foreign strategic investor. Japan's Nissho Iwai has expressed interest in acquiring some of its equity.

Because telephone tariffs are regulated by the government, competition is limited to marketing.

"Right now there's only une ricing plan for air time but in future there will be a much greater need for flexibility." tive adviser to Mobisel. In the meantime, "you can tailor your packages differently to target different market segments". This involves providing a range of payment

The government considers that there is no capacity left for additional GSM operators, although it is investigating introducing further cellular operators of PCN or PCS serrices. "The government has given no indication as to the number of potential licences it may in future award, or their coverage," says Merrill Lynch. Foreign Investment has helped increase the number of

fixed lines. Indonesia Introduced a novel way of admit-ting this international capital abead of Telkom's privatisation last November. So-called joint-operating schemes were set up, These consist of five consortia, each

of which includes at least one international telecoms company, with the task of installing and managing 2m additional lines for the next 15 years in five different regions of the country in revenue-sharing deals with Telkom. The scheme alleviated the

financing burden on Telkom of installing new lines. Other financial henefits for the domestic telecoms carrier included an initial payment from each consortium followed by guaranteed monthly payments throughout the 15-year

## Ad hoc approach triumphs Red tape snags progress

liberalisation is needed to sustain growth, reports Ted Bardacke

At the end of the last decade the waiting time for a basic telephone line in Bangkok was over eight years. In Thailand's provinces, lines were simply not available. The government ran a mobile network with handsets the size of a brick and prices just as beavy. A lack of telecoms infrastructure threatened to curb economic

Today basic telephone lines are being installed faster than customers are subscribing to them. More than 2 per cent of the population ~ nearly 10 per cent in Bangkok - owns a mobile phone and as prices of handsets drop, demand should remain steady. With spending on telecoms infrastructure for 1992-1996 increasing th #4.5hn, a 783 per cent rise on the previous five-year period, telecoms infrastructure is not just keeping up with economic growth, but driving it as well. Thailand engineered this transformation withnnt any grand scheme. Private investors were brought in on an ad hoc basis to fill certain needs quickly and cheaply. Conces-

Providing a rural

of entering this

**Edward Luce** 

market, reports

service is the price

The Philippines' telecoms

market is undergoing the most

rapid expansion in its history.

the telecoms sector two years

ago eight new international

gateway and muhile phone

operators are competing with

the former monopoly, the Phil-

lppine Long Distance Tele-

phone Company (PLDT), for a

market which is set to quintu-

ple by the turn of the century.

The National Telecommuni-

cations Commission (NTC).

which regulates the sector, pre-

dicts that teledensity in tha

Philippines will reach 10 lines

per 100 people by 1998 com-

pared with 2.1 in 1995 in an

investment drive totalling

\$9.3bn. This year alone some

3.6m land lines will be

installed doubling the coun-

try's telephone penetration to

neighbours have inquired how

Under the liberalisation of

changing technologies, market

conditions and governments. The industry was neither privatised nor liberalised. although there have been elements of both. The result, in addition to

good telecoms infrastructure, is a mess of exclusive concessions and government operator-regulators who at times compete with their own jointventure partners. Only now is the government getting around to ratifying a telecoms master plan, complete with an impartial regulatory board to oversee further changes to the

To sort out this mess while at the same time ensuring that Thailand reaches a high level of teledensity (number of lines or users per 100 people) will require three things, analysts

• forther liberalisation; · government concessions to

become joint-ventures; • the Telephone Organisation of Thailand (TOT), which operates local phones and domestic long distance, and the Communications Anthority of Thailand (CAT), which has a monopoly on toternational services, to be stripped of their regulatory function and be partially privatised.

brought about this transforma-

tion so quickly. The "Philip-

pine model" is also being held

up as a good formula for get-

ting the private sector to fulfil

the government's social objec-

tives without a public subsidy.

an emerging market which is

projected to grow as rapidly as

the Philippines to get the pri-

vate sector to do the govern-

ment's work for it," said Mr

Simeon Kintanar, head of the

NTC. "New licensees can set.

down millions of landlines in

poor and rural areas but still

make a healthy profit from

their international and mobile

Under the formula, compa-

nies which are awarded inter-

national gateway licences must

install 300,000 landlines in

their licence zona, while

mobile operators, whose mar-

ket has doubled in the last 12

months to 0.7 cellular phones

per 1,000 peopla, must lay

down 400,000 lines. The opera-tors are required to install the

phones within three years or

their licences will be revoked.

In addition they are required

capital costs in an escrow

operations."

Many of the country's Asian to place 20 per cent of their

the Philippines could have account as a signal of the gen-

"It makes complete sense in

#### THAILAND

companies have such a head start and strong base to work with that they are unlikely to be seriously challenged any time soon," says Mr Michael Millar, a telecoms analyst with Crosby Securities. Opportunities for foreign participation will remain limited to equipment supply, consulting work, becoming a minority partner in a joint-venture which requires outsida technical know-how and buying shares in publicly-listed companies. In the fixed line sector, three

ies dominate: • the TOT, with about 2.5m lines connected and the go-ahead to install 800.000 more over tha next couple of

VORTS; TelecomAsta (TA), a joint venture between CP Group of Thailand and Nypex of the US. with a concession to install and operate 26m lines in the

**PHILIPPINES** 

nineness of their intentions.

So far so good. But several of

the new licensees, among them foreign joint partners of local

companies such as Shinawatra

of Thailand, Singapore Tele-

com. NTT of Japan and Cable

& Wireless of tha UK, heve

complained that PLDT has

been obstructing access to its

PLDT's competitors also

complain that the former state-

owned company has an unfair

advantage hecause it can

threaten to disconnect custom-

ers' phones if they are late in

paying bills. The new licensees

plan to huild a \$150m alterna-

tive telephone backbone which

would give them independence

from PLDT. But in the mean-

time they will have to rely

npon government regulated

interconnection agreements

with PLDT to access the for-

Likewise PLDT, which

retains about 52 per cent of the

lucrative market for interna-

tional calls but is expected to

see its share fall to 50 per cent

mer monopolist's system.

national interconnect system.

Bangkok area; · Thai Telephone and Telecommunications (TT&T), a joint venture between Loxley and Jasmine International of Thailand and NTT of Japan, with a concession to install and operate 1.5m lines in the Nevertheless, "the existing

The fees are levied in lines

more lines by 2001 will be awarded within the next year. How these contracts get carved up among TA. TT&T and mobile operators Shinawatra and United Communications (Ucom) and other poten-

tial new entrants is currently the subject of intense negotiations, where political favouritism plays as big a role as operational and practical consklerations. Several important politicians are closely connected to domestic telecoms By 2001 Bangkok should

have a teledensity of over 60 per cent, about the current levels of the US and just trailing world leader Hong Kong. Teledensity in the provinces is expected to be about 12 per cent and the country as a whole 20 per cent. This may he too moch.

Demand in 2001 is only expected to be 11.4 per cent - 85.4 per cent to Bangkok and 6.7 per cent to Bangkok - according to BZW Securities. The saturation point may have been reached before then. At the end of 1995, TA had installed 1.4m lines but only 725.000 had been ordered by customers and connected. Similarly, TT&T had installed 900.000 lines hat only connected

by 2000, has complained that

its rivals are not fulfilling their

landlina obligations on time.

The privatised national com-

pany, which is listed on the

New York stock exchange, has

accused tha government of

turning a blind eye to alleged

infringements of licensing

"We are doing our best to

agreements in order to ecceler-

ensure that there is a genu-

inely level playing field," said

Mr Kintanar. "If the worst

comes to the worst we can

revoka licences but we doubt it

will ever come to that. We sus-

pect that both PLDT and the

new licensees will continue to

have problems with each other

but that is only to be expected

in a newly liberalised market."

to liberalisation the country

had a buge backlog of unmet

demand running into millions

of frustrated applicants. Meet-

ing this backlog should ensure

sufficient revenue growth to

satisfy most of the players.

Industry specialists also point

out that accelerating economic

growth rates over the next few

years will ensure that there

will continue to be a befty

backlog by 2000.

Analysts point out that prior

ate competition.

#### rate am Hanoi's ambivalent is politics, and, as so often in telecoms, national security. view of telecoms is curbing their language newspaper leaked news that the operating

growth, reports Jeremy Grant

When senior Vletnamese officials gathered in Ho Chi Minh City in February for the inauguration of the communist-run country's first optical fibre link with the outside world, it cannot have escaped their attention that the past decada has seen a revolution in the country's frail telecommn-

nications network. in 1986 Hanoi's only telephone links abroad were nine crackling lines to Moscow, then Vietnam's main benefactor. But with the fibre outic link, Vietnam can comfortably manage 22,000 simultaneous calls to almost anywhere in the world. In Ho Chi Minh City. the commercial capital, mobile phones are essential for the increasing numbers of hustness executives flourishing under market-oriented reforms. In Hanoi, the humble pager is

already old hat. These images may impress visitors but they mask prob lems that have frustrated the many foreign operators that are keen for a share of what could be one of south-east Asia's largest markets for international call revenue.

One indicator of the pace of growth in Vietnamese telecommunications is the number of mobile phone subscribers. In 1994, there were 3,500 nationwide, 70 per cent of them Vietnamese, industry estimates show. A year later the figure had jumped to 15,000 and this year is likely to rise to 40,000 subscribers.

Perhaps the biggest problem is that despite having made positive statements about allowing foreigners into the market. Hanoi has not yet said outright to what extent it welcomes foreign participation on the operations side of the business, where the real money is to be made. Its besitancy is partly because the government was last year distracted by major re-organisation within the industry. But the real issue

international circuits Thousand

## VIETNAM

tions Co (METC), has been in far-reaching talks separately with US West, Motorola, South Western Bell and a team comprising US investment bank Goldman Sachs and Jasmine International of Thailand ebout setting it up.

A surprise third Vietnamese operator known as Saigon Postel emerged in December, and is understood to have an operating licence as well as the necessary frequency allocations for a third network, including mobile phones and paging systems.

Foreign industry experts took the episode as a sign of the extent to which telecommunications, like other sectors in Vietnam has fallen foul of inter-ministerial rivalry or. worse, competing interests at an even higher level.

Although the fact that METC is talking to foreign companies the-scenes commitment to a

clear statement from the Vietnamese government and communist party on the issue bas caused impatience and confu-In the early 1990s, Hanoi said

It would allow foreigners to operate mobile phone networks in Ho Chi Minh City on a trial basis. Singapore Telecom took advantage of the offer in 1992 by launching Callink, an analogue mobile phone network, in the bone of sewing up a firm contract shortly afterwards. The company is still waiting for a deal, four years on.

Last year, Korea Telecom was reported in the local press as having secured a contract to install and operate land lines in the northern port city of Haiphong. However it is understood that the deal has not been concluded.

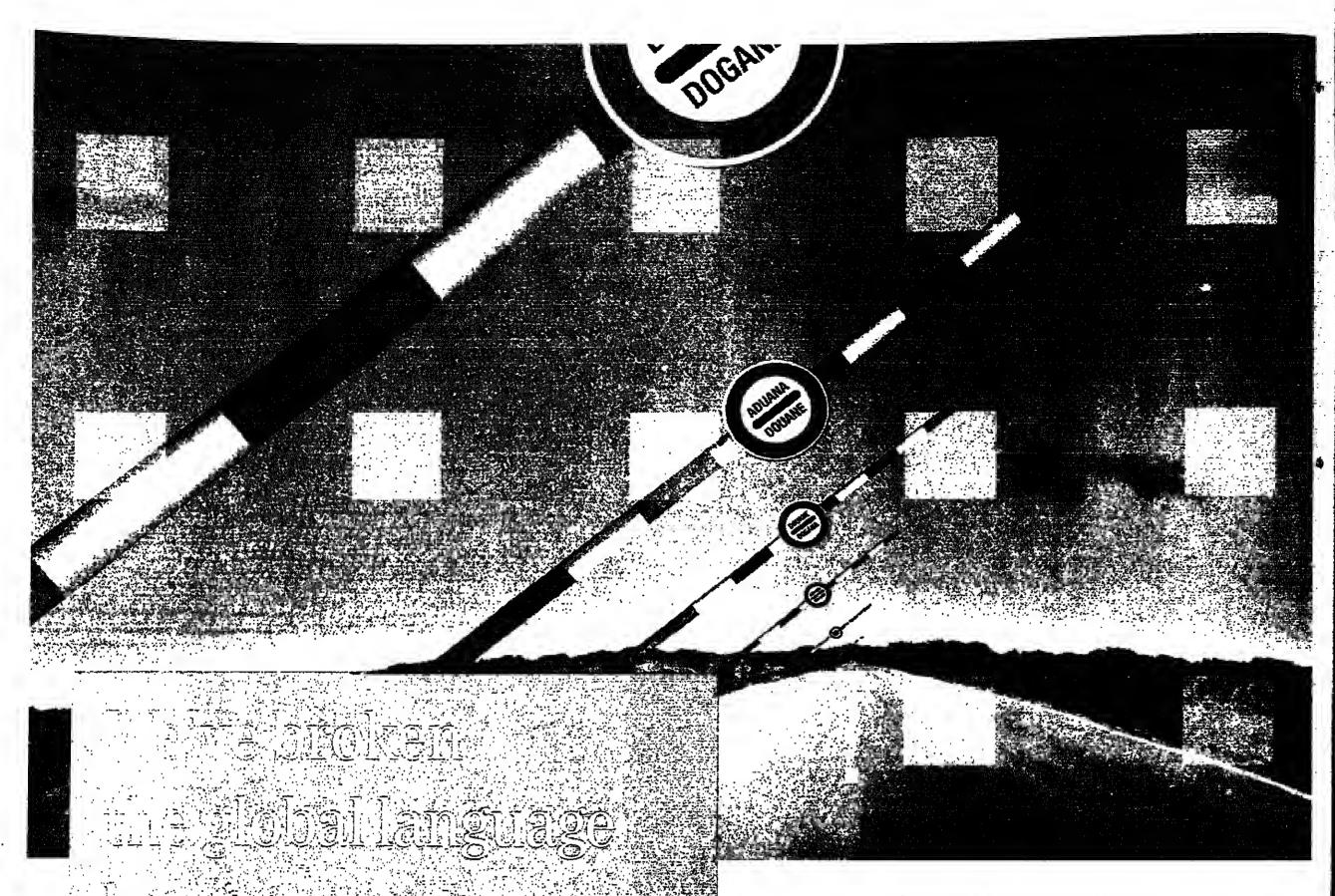
Four of the world's largest competitors - Telstra of Australia. France Telecom, NTT of Japan and Britain's Cable & Wireless - have been waiting almost two years for contracts to install and operate lines in the two main cities.

France Telecom and Teistra plan to dig up roads in Ho Chi Minh City in order to install about 800,000 landlines. splitting the job equally between them. Telstra has sidd its share would involve an investment of about \$300m. In Hanoi NTT is to install 200,000 lines, with Cable & Wireless understood to be taking care of a similar amount. All four would be looking to operate the systems. cashing in on increasing international and inter-provincial call revenue.

# n<sup>e</sup>

A political poster behind a telephone box in Hanol. Party wrangles are impeding competition







dard in digital mobile communications. It stands for Global System for Mobile Communications – and Deutsche Telekom played a big part in its development. Along with ISDN and Asynchronous Transfer Mode (ATM), it's just one of the foundation stones we are laying for the worldwide information infrastructure of the future.

We developed GSM with our partners in Europe – and it represents a major step in the quest for genuinely worldwide mobile communications. Promising guaranteed quality, global coverage and greater reliability of transmission, it's a considerable contribution to improved international understanding.

#### Developed in Europe, Designed for the world.

It has taken just five years for GSM to establish itself as the world-wide benchmark for digital mobile communications. In over 80 countries, across four continents, people depend on GSM networks – and the market is growing all the time. With our European partners, Deutsche Telekom has also opened the way for unlimited mobile communications between Europe and North America for the very first time, translating European-based GSM technology into a new global telecommunications language.

Our pioneering work does not stop there. While others make plans for the Information Superhighway, we're making it happen. We operate the most closely-woven fibre-optics network in the world – 100,000 kilometres of it. Our cable network is the largest in the world, and our ISDN network the most extensively developed. We were also the first company to use ATM: a new and much more sophisticated information transmission system.

#### Are we talking your language?

Deutsche Telekom is the No. 1 communications company in Europe and the second largest network operator worldwide. In the race to develop telecommunications technology, few others can keep up with us. We offer multimedia and online services, "smart" networks and a wealth of experience and know-how – all backed by strong business partnerships which span the globe.

If your company could benefit from what ours has to offer, let's talk.

Our connections move the world.

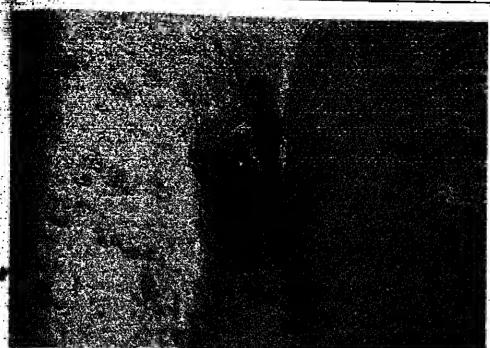


4 3

Deutsche Telekom 1

حيكذا من الاعل

## PAKISTAN



## Improving, but could do better

Success in creating a lively democracy needs to be accompanied by continuing economic reform and by more vigorous measures to deal with crime, poverty and illiteracy, writes Victor Mallet

its violent birth in the partition from India in 1947, its leaders will be looking for national achievements to celebrate. They will find some economic and political successes but not as many as Pakistanis

Created as a homeland for the Moslems of the British Raj, Pakistan has been a lively democracy for the past eight years: it has a free press that does not hesitate to criticise the government of the day; and Benazir Bhutto, the prime minster, is pursuing the economic and financial liberalisation programme begun by Mohammad Nawaz Sharif, her predecessor and main political rival. Indeed, the economy is growing at a respectable pace, with

terms this year. But the list of the challenges

facing Pakistan is longer than the catalogue of good news.. The continuing confrontation with India, a hostility which still erupts in border skirmishes over the disputed territory of Kashmir, ensures that a third of the annual budget is spent on defence and that the army has an undue influence in politics.

The country's secret nuclear weapons programme - aimed at deterring India - is not only likely to have been expensive. It has also alienated the US, which was a powerful ally of Pakistan during the cold war and the Soviet occupation of neighbouring Aighanistan.

in Karachi, Pakistan's commercial and financial centre, gunmen bitter about the

s Pakistan approaches ted to rise 6 per cent in real anthorities' treatment of the mohajirs, the Urdu-speakers who fled from what is now India at partition, have been engaged in a campaign to kill members of the security forces and disrupt the life and business of the city. The governarresting and killing many of the gunmen, a strategy which has - for the time being brought the problem under

> But, elsewhere in the country, crime has increased. encouraged by the easy availof drug-trafficking in the turbulent Afghan border region. Pakistan's efforts to emplate the successful, export-oriented

economies of south-east Asia are further hampered by its exceptionally low literacy rate: of about 30 per cent, high popu- cal Pakistani businessman will

lation growth of more than 3 per cent a year, the exclusion women from many formal corruption which is said to be as bad as it was in the days of

The economy remains heavily dependent on agriculture, and is vulnerable to the vagaries of the cotton crops in Punjab and Sindh that supply the textile factories of Labore. Karachi and elsewhere.

As an old-fashioned, Islamic society, Pakistan is run largely hy the landowners – known occupy most of the seats in

They are sophisticated consumers whose favourite status symbols include big, hlack Toyota Land Cruisers and maids from the Philippines (who cost more than Pakistani

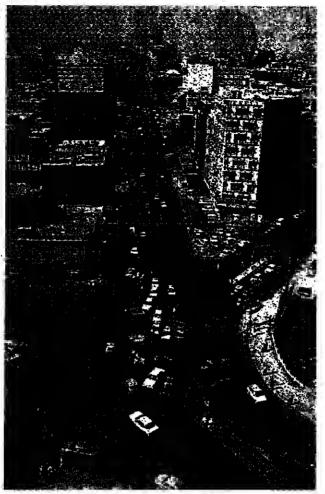
But many poor Pakistanis, including children, still find themselves toiling as bonded factories. The social action programme, aimed at improving education, sanitation and population control, has made a start in tackling the problems of the poor, but inevitably has a long way to go.

cated prime minister and daughter of Zulfikar Ali Bhutto, the former leader executed by military dictator Gen Zia ul-Haq in 1979, was born into the class of wealthy landowners, as was her busi nessman husband, Asif Ali

prime minister at the head of the Pakistan People's Party founded by her father, she has won some credit for her efforts to repair relations with the US, although critics say the attempt to market Pakistan as a moderate Islamic bulwark against fundamentalism merely serves to antagonise neighbouring Iran and extremists in her own country.

After earlier disputes with both the Pakistani husiness community and the International Monetary Fund, her government has also earned grudging support for its tentative progress down the difficult path of fiscal discipline. According to V.A. Jafarey,

-her economic adviser, the typi-



rarely mention such benefits of of accusations of financial irregularities levelled at memliberalisation as the lifting of foreign exchange controls. "He'll only talk about the things that hurt him," complains Mr Jafarey.

"The economic reform which the government has undertaken has been on a very wide scale. It has been rapid and there have been some genuine teething problems. But hy and large the process has been welcomed and accepted, and has the support of both major par-

ven her enemies accept that Ms Bnutto has clever in her recent hanthat Ms Bhutto has been dling of Pakistan's chaotic style of patronage politics. Opponents in provincial governments have been moved aside; the justice system has been mobilised to hear dozens

tion that goes on between Nawaz Sharif and Benazir. Although Ms Bhutto has skilfully played the existing political system to consolidate her positioo, neither she nor her predecessors have been able to lay out clear economic and social goals for the long term or to move Pakistan towards a more stable form of

and leaving," says Asma

Jehangir, a lawyer and human

rights activist in Lahore. They want her to complete

ber term and a democratic sys-

tem to continue. And they want oo part in the demonisa

A common complaint of business leaders and ordinary Pakistanis is thet almost everything io the country is "politicised", from the appointent of junior functionaries to the prosecution of those sus pected of corruption. The accused, in other words, are often in the dock because they are opponents of the powers that be rather than because anyone is genuinely shocked by their crimes.
"If accountability was on a

more balaoced, independent basis, it would carry some credibility and perhaps reduce corruption," says Akram Zaki, former secretary-general of the Pakistan Foreign Office and a supporter of Mr Sharif.

Most law-making is hy presidential ordinance (there were 127 last year) rather than hy matured our political system says Sartaj Aziz, a former finance minister and secretary general of Mr Sharif's Moslem League. "Our institutions have become weaker."

Widespread support for the half-declared political ambitions of Imran Khan, the cricketing hero and philanthropist, is therefore regarded more as cry of discontent with existing poblicians than as a mandate for Mr Khan's as yet unknown political programme. One of the big challenges fac

ing this and future Pakistani governments is the need to adjust the political system so that it gives more weight to the views of the country's growing number of city-

This grievance about representation is one of the causes of the violence in Karachi, where the urban mohajirs say IN THIS SURVEY



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The economy: relief rathe than euchoria hitches, the worst is ove Profile: Muhammed Yacub, touch-talking, hardheaded and honest central

 Stock exchange: forei capital adds sparide

Oil and gas: the sector is

Power: moves to ea energy crunch behind the world Cotton: bumper crops

 Agriculture: World Bank urges reforms
• Karachi port: cracks in the nation's lifeline Quetta: on the border of

 Karachi violence: conflict of ideas

Politics: young democracy

Editorial production: Roy Terry

they suffer discrimination at the hands of the local Sindhis.

Urban iodustries, 'meanwhile, say they are heavily hurdened with taxes that make it difficult for them to expand and invest, while wealthy agriculturalists pay almost no tax

Fettered by the agricultural lobby in parliament, the goveroment has made only a modest start on bringing the feudal landlords into the tax net. Last year a mere Rs2.5m was raised in this way.

"Economic and political stability are both still taking root," says one Pakistani keep going ahead. But it will not be easy. It will require a lot of political will, because some of the decisions will be politically expensive."



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bers of Mr Sharif's opposition

Moslem League (they did the

same to her when they were in

power); and allies have been

manoeuvred into inflnential

contentedly in the background,

and assuming the economy

does not suffer a sudden rever-

sal, Ms Bhutto is as secure as

any Pakistani leader can

expect to be in a region rife

with ethnic and religious ten-

Even some of those who

have reservations about the

government's merits are keen

stability - that the administra-

tion should serve its full term

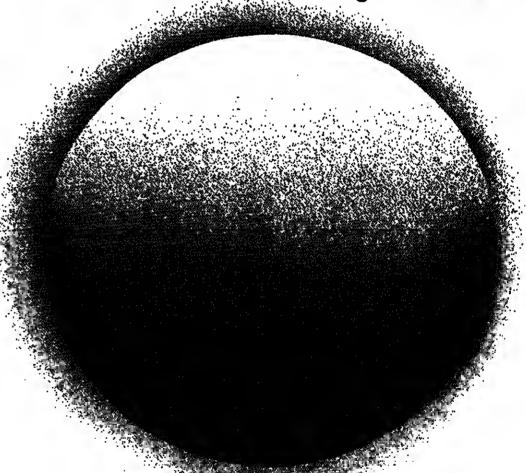
until the next election due in

1998. "People are fed np with

the governments coming in

for the sake of Pakistan's

Assuming the army remains



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## Relief rather than euphoria

Good crops of grain and cotton have helped boost estimates of growth to 6 per cent

The Pakistani economy ls expected to grow by about 6 per cent this year in real terms the best performance for four years – but husiness people and government officials are smiling only cautiously, and tbeir mood is one of relief rather than euphoria.

That is because the economic reforms which began in earnest after the return of democracy in the late 1980s still have a long way to go before Pakistan can claim to have a dynamic and fully liberalised

There are few significant differences between the economic policies of Benazir Bhutto's present government and those of her predecessor. Nawaz Sharif. Although each side has accused the other of corruption and mismanagement, both are in favour of privatisation and both bave sought to implement free market policies. But this year's promising growth estimates, and an expected fall of inflation, perhaps to 10 per cent, have as much to do with good crops of grain and cotton on which Pakistan remains heavily dependent - as any-

"Unfortunately not all of the good news is due to good policiea," says one economist in the capital Islamabad, "Some

External debi

1989-00

50%

and the fact that the agricultural peats decided to nest somewhere else this year."

The problem for Pakistan's policy makers as they seek to keep the economy growing is that their room for manoeuvre is limited by the twin burden of a current account deficit and a ssvere budget dsficit.

Foreign earnings remain weak for several reasons. Local textile manufacturers, which until two years ago were pro-tected with subsidised cotton supplies, bave bean slow to invest in the production of garments and other value-added products for export. Carpet exports have been hit by protests in the west against the widespread use of child labour in Pakistan and the region.

Foreign investors, meanwhile, bave been welcomed into the country but have tended to put their money into infrastructure projects such as power stations, which consume rather than earn foreign exchange. They bave also invested in import substitution industries protected by tariff barriers, such as vebicle embly and chemicals.

What is missing from the recipe so successfully nursued in countries such as Thailand and Indonesia in south-east Asia is an inflow of foreign funds for export industries. Among the obstacles to such investment are the low literacy rate of the country's workers: the political violence in Karachi, the main business centre: infrastructural problems.

including congestion at the Karachi port and (for the time being) electricity shortages; and the relative scarcity of joint venture partners with an international outlook.

To make matters worse, remittances from Pakistani workers in the Gulf, a useful source of foreign currency in the 1970s and 1980s, have started to decline. And imports have continued to rise, leaving the government with an uncomfortably small cushion of foreign reserves.

Nevertheless, the situation has improved since last June, when the International Monetary Fund suspended an enhanced structural adjustment facility (Esaf), a loan arrangement at concessional

Foreign investors have been welcomed into the country

rates of interest, because of Pakistan's failure to meet agreed targets on its domestic dget. With a widening trade deficit and a run on its foreign exchange reserves the government was forced in October to introduce a stabilisation plan, which included a 7 per cent devaluation of the rupee and a special 10 per cent import tariff that is still in place.

money and still fail to bring down the budget deficit," says According to V.A. Jafarey, the prime minister's adviser on one banker. Already the govfinance, there are signs of a ernment has borrowed Rs60hn from the banking system, dourecovery in exports, and

**Domestic debt servicing** 

as s % of tax revenue

import growth is slowing. "The ble the IMF target, although it may be able to "juggle" the brake is beginning to work," figures as it has in the past to be says. obey the letter - but not the The dispute with the IMF

say this year's budget will be a

crucial test of the credibility of

central bank is restricting the

amount of bank credit avail-

able to the private sector in an

deprive the private sector of

"The irony would be if they

attempt to curb inflation.

highlighted Pakistan's thornispirit - of IMF criteria. est economic problem - a bud-A chronic problem faced by get deficit caused by a mixture any Pakistani administration of overspending and poor tax is that military expenditure collection. "Breaking that and debt servicing together understanding with the IMF account for two thirds of budget spending, leaving far too cost this country enormously. little for other areas such as both in terms of cash and in terms of confidence," says one education. Of the annual forforeign observer in Islamabad. eign aid requirements of about "The country paid a terrible price for not going through \$2.5hn, \$1.6hn goes straight back into servicing the existing with its commitments. And debts to donors. Hence the IMF's attempts to now they have to do almost exactly what they didn't do in persuade the government to June last year and they still use proceeds from privatisadon't have an Esaf." Instead, tion to retire some of its for-

Pakistan has a more expensive elgn deht. The government, meanwhile, is considering issu-\$600m standhy loan agreed with the IMF in November, ing a second eurobond - to raise \$100m this time, comwhich could be followed by a pared with the previous issue renegotiated Esaf if the governof \$150m - to broaden its ment sticks to the targets and announces an acceptably tight sources of finance and move budget in June for the finanaway from short-term commercial year starting on July 1. cial bank borrowing. Both deht servicing and mili-Not only foreign economists but also Pakistani businesstary spending are regarded as men and bankers in Karachi

relatively inflexible hudget items, partly because the armed forces remain powerful the government'a economic and insist they need to be policies, especially since the strong to counter security threats from India next door. With social spending already low, the obvious solution is to concentrate on the revenue side and widen the tax net.

But this is difficult, too, particularly when easily collected import tariffs are being reduced in line with the liberalisation of world trade and attempts to improve Pakistan's

**Exports** 

Real GDP Annual % charine

international competitiveness Hitherto the government has piled tariffs, excise duties and taxes on manufacturing industries - particularly the large and medium-sized companies in Karachi - because such companies are too visible to escape the attentions of the Central Board of Revenue and are reliable taxpayers. The authorities have barely begun to tax the wealthy landowners who could provide plenty of additional revenue, largely because these "feudals" are powerful in both main political parties; Indeed, many of them are members of parliament. The system, furthermore, is

Any correction of this particular weakness in the Pakistani tax system is likely to be gradual at best. Instead, the government's next priority is to widen the narrowly-based general sales tax so that it embraces the modern retail sector and becomes a full

Other exports

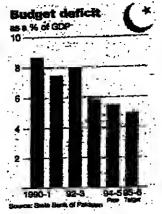
open to abuse, since town

dwellers can buy a plot of land

m the countryside and claim

that their income is exempt

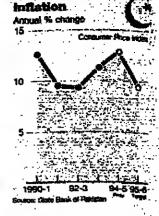
from tax because it is "agricul-



value-added tax; as well as increasing revenue immediately, the widening of this tax ahould also improve tax records by allowing inspectors to cross-reference the returns of one tax payer against another, and thus reduce tax evasion

One of the peculiarities of Pakistan's tax system is the huge number of exemptions granted to those powerful enough to exert political pressure. Among the recommenda tions made recently by a committee of business executives appointed by the prime minis-ter to look into "resource mobilisation" was that all exemp tions should be withdrawn, a move which they said would save the government Rs115bn a year - equivalent to nearly a third of the total budget; in exchange they suggested lower taxes, which would cost some Rs72bn hut still leave the government a considerable net

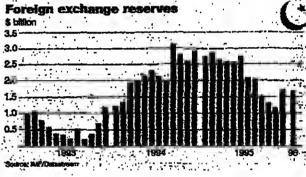
The formation of the committea was one result of a warming in the previously frosty relations between the



Bhntto government. Mr Sharif. the previous prime minister, is a husinessman himself and has been regarded us more "bustness-friendly", a feeling which intensified when Ms Bhutto's administration took to identify. ing businessmen as allies of Mr Sharif, harassing some of them and refusing them permission to leave the country.

Now that relations are bet ter, the prime minister has allowed even "upposition" business people to accompany her on her frequent diplomatic ventures abroad and seeins more inclined to listen to their pleas for economic reforms. This change of attitude, together with the improved outlook for economic growth this year, appears to have conquered the widespread pessi-

mism of a year ago.
"The situation was bleak a few months ago," says Turiq Saigol, president of the Labore Chamber of Commerce and Industry. "The picture doesn't look rosy right now but it's not as bad as I expected ... But as to wbether we really are going to become a dynamic Asian



Privatisation: by Jeremy Grant

1991-92

1990-91

Debt service as a % of foreign exchange earning

## Barring hitches, the worst is over

Proceeds from the sales total \$1bn and the government hopes to raise another \$2bn

When it comes to privatisation

The government is still smarting after the fallout from last year's bungled sale of a stake in Pakistan Telecommunications Co (PTC) and controversy surrounding February's divestment of United Bank Ltd

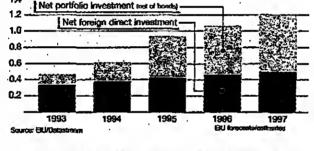
But analysts say the worst may be over and this year could see investor confidence hitches and particularly if the sale of a strategic 26 per cent of PTC goes well. "Considering what the coun-

try had to sell, it [privatisation] hasn't gone that badly," says one securities analyst with a Karachi firm. Privatisation was originally

in Pakistan, the biggest word introduced by the previous 1991, and has been pursued by the present administration of Benazir Bbutto which took power in 1993.

Pakistan is under enormous pressure to raise cash fast to retire as much of its \$20hn forrign debt as possible. Islamabad is being pressed by the World Bank and the International Monetary Fund (IMF) and bas almost no recourse to

Foreign investment Net portfolio investment met of bonds)



foreign exchange reserves. which are perilously low at

More urgently, Pakistan faces expensive repayments on a \$600m standby credit granted by the IMF last November after

Islamabad's failure to meet macro-economic targets under a structural adjustment pro-

So far, principal sell-offs include three banks, eight cement plants and 12 per cent

In most cases, the government has sold off a strategic 26 per cent, giving investors management control, with a further 25 per cent to be floated on the Karachi Stock Exchange (KSE) later.

Proceeds from the sales are bout \$1bn and the administratiun hopes to have raised \$2bn more by the end of the year, despite privatisation's chequered history.

An attempt in January to sell United Bank Ltd (UBL) initially flopped after the two main bidders failed to submit formal offers on time. The bank was eventually snapped up cheaply by the Basharahil Groop of Saudi Arabia amid accusations from opposition politicians that the govern-ment had mismanaged the

Confidence in privatisation was aiready at a low ebh last year after the government's mismanaged sale of a tranche of PTC to portfolio investors. Buoyed by the successful sale of I per cent to domestic investors, Islamabad sold a further 11 per cent, raising \$800m. But when investors found thet the sale documents had

overstated the number of tale-

phone lines in operation, the price of its global depositary receipts slumped. Critics said that in its baste to raise money, the official Privatisation Commission had not allowed sufficient time for due

Although analysts acknowledge the economic imperative of fast-track privatisation, they potot out that the speed with which it is being carried out is one of its weaknesses.

If Islamabad were to allow time for state companies to rationalise their operations, they argue, this would make them more attractive to investors and increase the sums

"In many ways they're trying to rush things and not necessarily getting the results they want. A little bit of thought and preparation would get them in the sort of shape they need to be in," said one London-based banker who follows Pakistan.

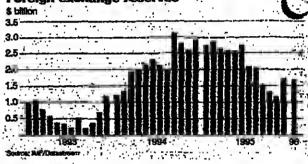
Indeed, lack of time for due diligence was behind the problems with PTC and with UBL. The Privatisation Commission refused to allow a aecond potential buyer - Faysal Islamic Bank of Bahrain mora time to check tha state of UBL's financial

What is worse is thet the UBL case has not helped on the public relations front. It has played into the hands of opposition politicians and some newspaper editors, who have taken to accusing the government of selling state companies at throwaway prices, after plundering their assets for expensive perks. "Ruling elites kill off UBL,"
ran one headline in a recent edition of the weekly Friday

Critical headlines aside, the government of Benazir Bhutto has scored some valuable pobtical points by privatising the

Continued on page 3 . · · ÷ · · ·





In a country where successive administrations have become accustomed to spending beyond their means and public sector banks have often been obliged to make loans for dubious political purposes, a strong central bank can be a thorn in the

side of government. Muhammad Yaqub, the governor of the State Bank of Pakistan, the central bank, continues to britate many government officials and earn the admiration of his supporters for exactly that

The governor, who has earned a reputation for being tough-talking, hard-headed and honest, has upset many bankers and official planners. However, his work is also regarded in international financial circles as crucial for the success of Pakistan's financial and economic reforms, especially if the

country is to break away from its habit of financial Mr Yaqub, a former International Monetary Fund economist, has turned around the central bank in more ways than une. He has revamped the bank's aspection and research departments, as a step

towards improving its professional abilities for monitoring banks and advising the government on The central bank has issued warnings to commercial banks and sometimes even penalised them for deviating from central bank

regulations. The governments in Pakistan's four provinces, as well as the federal government, now realise that they cannot borrow unlimited amounts of money from the domestic banking system, far in excess of budget and of targets agreed with the IMF. without facing objections from the central bank. This is in sharp contrast to earlier times when excessive borrowings were quietly tolerated.

Yaqub's leadership are the result of a decision in 1993 by the interim government of Moeen Qureshi to make the bank autonomous so that it acts independently of the influence of the finance ministry in Islamabad. Mr Yaqub has no qualms about the change. "I have absolutely no regrets on what I have done and what we have achieved," he says. "I think there is a general recognition, and this is shared even hy those who

()

The changes under Mr

may be critics of mine, that the state bank during the last two and a half years has increasingly played its rightful role, a role that it should have played always."

Still. Mr Yaoub faces a difficult challenge. He came to office after Pakistan began opening up the country's banking business to the private sector, and the pitiful state of debt-ridden and inefficient public sector banks finally became public

knowledge. In 1994, Pakistan's

entirely clear. His term is due to end this year, but so far he has not said if be wants to stay on - and the government has not said whether he will be asked to do the job for another three years.

There are advantages in keeping on such a tough governor. Politiciaus can let him take most of the flak for unpopular decisions, especially those related to strict limits on new bank loans and on credit for vote-winning development



Muhammed Yaqub: tough-talking, hard-headed and honest

financial community was shaken by tha Mehran Bank scandal. The bank's chief executive was convicted of fraud and jailed last year. The scandal was a setback for the image of the banking system, and many bankers acknowledged that it hindered the efforts of some of the new private banks to attract new clients. But Mr Yaqub's toughest

task has probably been that of making the public and private sector come to terms with a central bank that was capable of intervening in important decisions. He describes the transition: "The banking system, which was basically a nationalised system [government-owned], felt that for all practical purposes, they were

accountable to the government and not to the State Bank. "The business community had this perception that 'if

there's a credit problem we have to go to the government. it's there that they will move and change it'. Government itself gradually eroded whatever anthority there was of this institution [the central bank].

While the central bank's work is appreciated by international financiers, Mr Yaqub's own future is not

Pakistan's banking system is still reeling under the pressure of the infamous yellow cab scheme of the early 1990s, when billions of rupees were given out under the government of Nawaz Sharif, the former prime minister, to help unem youths buy new taxis. A large number of the borrowers

have defaulted Some financial experts in the private sector give credit to Mr Yaqub for taking a strong line against such high risk schemes, including a "green tractor" plan which was launched two years ago. but which has now been

scaled down. Despite Mr Yaqub's detiant image, be says that his work could not have been done without the backing of the country's leaders, including President Farooq Leghari and Benazir Bhutto, the prime

Looking back at his years in office, Mr Yaqub believes that he has set the tone for the central bank to emerge an important influence in crucial economic decisions. He says: "We have increased the awareness of financial discipline and I think there has been increased emphasis

Farhan Bokhan







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Privatisation: a snapshot Muslim Commercial Bank, Allied Bank Pakistan Telecommunications Corp (12 per cent) United Benk Ltd (UBL) Eight cement plants Nine vehicle manufacturing units

Habib Bank Bankers' Equity Ltd

Suit Southern and Sui Northern (gas companies) Karachi Electric Supply Co (KESC) Kot Addu power plant Pekastan Telecommunications Corp (26 per cent) Pak Saudi Fertifiser

Proceeds from privatisation (1988-95): Rs34.5bn

Amount invested in social schemes: Rs16bn Debt retirement: Recibn (including proceeds from PTC set

#### PAKISTAN 3

#### The worst is over

Continued from page 2

The Maria

banks. This has helped cut politically inspired lending and instilled an unprecedented degree of commerciality into the banking sector.

"I think people draw a distinction between financial services privatisation and other privatisation," says Patrick Aylmer, a director at NatWest Capital Markets.

Ms Bhutto has also won praise for moving to neutralise a potential threat from the unions, which are convinced that widespread redundancies will inevitably accompany pri-

To allay those fears, the government has passed legislation that prevents the new management of former state compamies from sacking workers the moment the company is in private hands.

UBL management, for example, is bound by a one-year moratorium on lay-offs.

....

Although this has simply left the problem of bloated workforces with the companies' new owners, the government has neatly reduced the risk of attack from the unions, anslysts say. Another factor in the govern-

ment's favour is that the opposition party, the Moslem League, is unlikely to cause trouble as its policy on privatisation is almost identical to that of the ruling party.

For the moment, all eyes are on the sale of the next tranche of PTC, the country's sole provider of fixed line and international telecommunications services and its most profitable company.

This is being seen as a potential milestone in the privatisation process. "The privatisation of PTC

will essentially be a vote for the country, it's the most profitable company in Pakistan," says Farrukh Hassan, Pakistan country head for Crosby Secu-

On current market valuation of PTC, the sale would raise \$1.2bn. The government's target for completion is June this

Newspaper reports have said about 20 foreign telecommunications companies have expressed interest in the 25 per cent stake on offer, and include British Telecom, AT&T of the

Stock exchange: by Farhan Bokhari

## Foreign capital adds sparkle

The performance of textile stocks and the pace of privatisation will dictate future trends

Pakistan'e etock market analysts were surprised when the first share offer of the Askari General Insurance Company was oversubscribed almost 23 times on the Kara-chi Stock Exchange (KSE) in December. A month later, the share price had doubled.

The strong performance of Askari was surprising in a year when the Karachi market an important indicator of the country's business confidence - had plunged. Share prices fell on average by more than 35 per cent, while a number of new issues were undersubscribed at their initial

converted their businesses into large brokerage bouses, and hired teams of analysts The response to Askari's and marketing personnel to share offer had much to do

of the company. Askari's parselect stocks using detailed ent group, the Army Welfare research about the companies Trust, has been growing listed on the market. strongly, and the outlook for

That is in sharp contrast to the situation in the past, when the choice was between the safe blue chips and a collection of harely researched stocks seen more as shares offering a chance to speculate rather than as investment opportunities. Safdar Butt, finance director of the Army Welfare Trust, says: "The response to Askari shows that the market is hungry for good

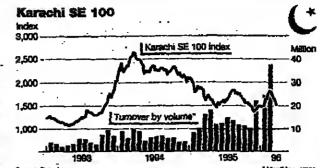
The market's growing business is also reflected in other ways. Since the end of 1991. when the economic reforms were put in place, the number of companies listed has risen to 770 from 542, the market capitalisation has jumped to Re380.24bn from Re188.5bn, the average daily turnover of

Resesso from Relasm. The market has become an

important player," says Arif Habib, president of the Karachi stock market. "The changes in the way we do business here has meant that we are now noticed worldwide as an important emerging mar-

Behind the optimism, however, there are new pressures on the exchange. The growth in trading volumes, for instance, has meant that set-flement of transactions takes ionger. further aggravating the difficulties of transferring shares to new owners, a process which can often get bogged down in paperwork.
This year, the KSE's man-

agement plans two important changes. An experimental net-work for computerised trading is to be expanded by the summer so that the market can and marketing personnel to shares has risen to 31.5m from cope with the growing volume respond swiftly to client 2.7m, and the average value of of business. The KSE also



plans to establish a central depository, through which buyers would be able to get almost immediate transfer of

According to Nasir Bukhari. chief executive of Khadim Ali Shah Bukhari and Co, one of the fastest growing brokerage houses: "The central deposiwould certainly raise the trading volumes further. This should generate more interest in the market."

One challenge facing the KSB now that it has close ties with international financial circles is the way in which prices can be influenced by global events. "If the market had not been exposed to international investors," one stockbroker odmits, "we may have had a better chance of being saved from the effects of the

Mexican crisis."

Many foreign investors remain apprehensive over future trends in the value of the Pakistani rupee, which has been devalued by more than 40 per cent during the past three years. Pakistan is under presome to narrow its international trade deficit as part of its commitments to the International Monetary Fund. Some analysis expect further devalu-

ation by the end of this year.

although Benazir Bhutto's government denies that it has any such plans.

Investors are watching closely this year's trends in the large textile sector and the future of the government's privatisation programme. Almost a quarter of KSE-listed stocks are in the textile sector, and their performance usually dictates the market's sentiment. This year, Pakistan has enjoyed a bumper cotton crop which, in turn, has brought down raw cotton prices in the domestic market. The textile sector should benefit from the

cheaper raw material. The privatisation programme could have an even more significant effect on the market. The government is selling stakes in the Pakistan Telecommunications Corporation, United Bank (Pakistan's second largest bank), a large power generation plant and possibly one of the two large gas companies.

"The success or failure of the privatisation plans wili affect the country's entire timents on the stock market." says one banker in Karachi.

■ Oil and gas: by Jeremy Grant

## Sector humming with activity

Onshore reserves are modest and unlikely to have a significant impact on the big fuel bill.

Aftar decades of neglect. Pakistan's oil and gas sector is humming with activity. Foreign investors have been quick. to take advantage of a revised. petroleum policy passed by the Bhutto government in 1994, offering for the first time generous incentives and almost market prices for commercial discoveries.

However, two years after the landmark policy helped boost domestic production, industry experts are resigned to the view that coshore reserves of oil and gas are modest and unlikely to have a significant impact on reducing Pakistan's big fuel bill.

Indeed, some are starting to talk of the need to import gas, adding to Pakistan's already heavy dependence on fuel from ahroad. Last year, the country

about \$1.5hn. On present pre-dictions, that could double by 2000 with the commissioning of a handful of oil-fired power stations by 1998 and demand from population growth of 3 per cent a year, a rate higher than in neighbouring India.

the insurance sector is bright.

The investment climate as a

whole has changed, too. Inves-

tors are not as obsessed as

they once were with the small

number of blue-chip stocks

that have traditionally been

The rise in Askari's share

the market's top performers.

price is partly a result of the

five-year-old economic reform

programme. Foreign investors

have been allowed for the first

time to trade freely, allowing

international capital to flow

into the market. This has

encouraged Pakistani stock-

enlarge their companies.

brokers to restructure and

At least six brokers have

"The gap [between supply and demand) is widening and I don't see anything on the horizon right now that will reduce it. Even if we discover something big now, it'll take a long time to get it on stream," says Masood Sohail, chief executive of Pakistan Petroleum (PPL), a joint venture between Burmab-Castrol, World Bank affiliate the International Finance Corporation, private investors and

est in exploration has not flagged. Oil was first discovered in the 1880s by the British in what is now north-western Pakistan (a refinery built there in 1920 is still functioning). However, it was not until Ms. Bhutto's new policy in 1994 that the terms offered by the

the Pakistani government.

Nevertheless, foreign inter-

uid fuel needs at a cost of to attract foreigners to anything but high-risk ventures. In that year, Islamabad

scrapped a formula that reserved for the state oil agency 50 per cent of revenues from commercial discoveries made hy foreigners, and opened up fields to a competitive hidding process. Now, the revenue-sharing regime is more equitable at between 15 and 25 per cent, according to foreign oil industry officials.

Another important concession was the de-linkage of the gas offtake price from heavily snbsidised fuel oil and its attachment instead to a crude off marker based on a basket of crudes. Being a more accurate reflection of market value, it came close to ensuring that the foreign investors received a market price for discoveries.

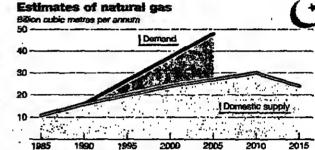
Of the roughly 15 foreign oil companies active, most have arrived since the policy took effect. They include Premier Oilfields and Occidental Petroleum of the US, British Gas, Lasmo Oll of the UK and Shell. the Anglo-Dutch group. "Since

tion activity," says Bob Summers, general manager for Lasmo Oil Pakistan in Karachi.

Operations have run smoothly, except for the few companies with prospects in the dry wastelands of western Baluchistan. There, trigger-happy tribesmen have been known to take pot abots at foreign oil installations with rocket propelled grenades as a way of wringing political concessions from the government.

The principal oil discoveries onshore have been in the north and in the south, with the bulk of gas in the middle, at the Sui Field. Union Texas of the US is the largest foreign producer of oil with 29 fields pumping 22,000 barrels per day (bpd) of cruda and 40m cubic feet of gas at the Badin Block in southeastern Sindh province. It has invested \$375m in exploration and extraction since it arrived in 1977, according to John Latch, general manager in Karachi.

However, the industry seems more inspired by gas than by



established that most oil fields in Pakistan contain no more than between 50m and 100m harrels of reserves and agree that the country is more gas than oil prope Lasmo started production last month at a gas field at Kadanwari, supplying Karachi with 100m cubic

Most indigenous gas production comes from the Sui Pield, discovered in 1952 by PPL, with estimated recoverable reserves of 10,000bn cu ft. It pumps 1,900m cu ft of gas per day. An important plank of the 1994 policy was reform of the gas industry, involving privatisation of the two state transmission and distribution monopolies Sui Southern and

Sui Northern. This, it is hoped, will lead to greater efficiencies.

However, the stark reality facing Pakistan is that even its gas industry has limited poten-tial. Industry experts estimate that reserves at the Sui Field are likely to peak by 2010. "While on land every little bit helps. Pakistan is not going to be a large oil and gas area." says one senior official at a Rarachi-based company.

Some foreign investors say there is some hope for large finds offshore in the Arabian Sea but the 1994 policy does not apply to offshore exploration, where terms are still tongh. The World Bank is expected to come up with recommended terms later this

That leaves gas imports. There bas been much talk about importing from three republic of Turkmenistan, Qatar and Iran. But each option is fraught with problems, mostly political.

Any pipeline snaking into Pakistan from the north would have to traverse Afghanistan. which would be risky due to political upbeaval there. It is understood that Unocal of the US is studying the possibility nevertheless.

US embargo pressure on Iran means that no foreign investor would be likely to participate in building a pipeline from that country in the foreseeable future. And the Qatar pipeline would have to be laid in deep water, adding considerably to

its cost. However, the senior official at the foreign company says the question is not whether. but when. Pakistan will have to import from these sources. "Those three pipelines we believe can all be absorbed in the first quarter of the next century." And that is likely to strain Pakistan's foreign exchange reserves even fur-

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Power: by Jeremy Grant

## Moves to ease energy crunch

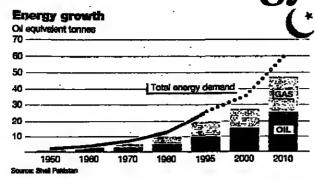
This year could mark the beginning of the end of the perennial power shortages

For most residents of Labore, 1996 will go down in memory as the year the city hosted the tumultuous climax of cricket's World Cup.

But for some living in the city's suburbs, all they are likely to remember is a power blackout on the night of the final, as electricity was diverted to the stadium to keep lts floodlights burning until the last over.

Pakistan has been short of power for years, but there are hopes that 1996 could mark the beginning of the end of the country's perennial shortages. Private financing has been arranged for a series of power projects that look set to come on stream by the government's target date of 1998, easing an energy crunch that would otherwise bave strangled economic growth.

Country-wide installed capacity is 14,000MW, nowhere near enough to meet future demand, Karachi, the commer-



cial capital and port through which most of Pakistan's trade flows, suffors an electricity supply gap of about 730MW, according to a report published last month by UBS Securities in Hong Kong.

The problem is compounded huge transmission and distribution losses at the two government-run utility companies. the Water and Power Development Authority (WAPDA) whose bydro-electricity plants generate 40 per cent of total capacity - and Karachi Electric Supply Corporation (KESC).

Industry analysts estimate such losses nt KESC rose to 31 per cent in 1996 from 27 per cent in 1994, as much through

chi. The UK's National Westminster Bank beads n consortium of advisers to the privatisation.

Poor transmission and distribution is being tackled under a Transmission System Policy introduced in March 1995. The UK's National Grid has signed a \$700m agreement with WAPDA to add 1.500km of lines to existing capacity.

the end of the year, as a way of

increasing efficiency in Kara-

The power policy's main selling points for investors in Inde-pendent Power Projects (IPPs) are government guarantees of foreign exchange revenue and a fixed offtake price of 6.5 cents per kilowntt hour. Industry experts say this is generous by regional standards, providing a roturn on assets of about 17 per cent.

Othor encouraging signs have been that the Private Power Board, which is overseeing the bidding process, is staffed by experts from the private sector rathor than bureaucrats. Steps are being taken to establish a regulatory nuthor-The first project to benefit

from the 1994 policy is a \$1.8bn, Financing has since been 1,292MW oil-fired power plant secured for nine other foreign-

Project name

AES Pak Gen

Gul Ahmed Energy

Kohinoor Energy

Tri-Star Energy

main customer.

eight years later and the emer-

gence of government guaran-

tees under the power policy

that the project took off. Hubco

chief executive Mike Woodroffe

believes that the agreement on

Hubco was seen as a vote of confidence in Pakistan's new

power policy. "They (investors)

saw Hubco as an indication of

the appetite of the market to

do this sort of thing. If we

hadn't had those guarantees,

we wouldn't have had the proj-

Rousch (Pakistan) Power

Japan Power Generation

Power Generation System

Southern Sectric Power

American Sectric Services: " French Export Credit Agency

invested projects, all oil-fired, 40km north-west of Karachi which will add 1,455MW to known as the Hub Power Co (Hubco). Hubco, which is listed existing capacity hy about

Location

Sidhnal, Punjab

Laipir, Punjab Laipir, Punjab Korangi, Sindh Raiwind, Punjab Raiwind, Punjab

Patoki, Punjab Ratwind, Punjab Mauripur, Sindh

Capacity (MW)

362.0

136.2 120.0

131.4

116.0

1100

on the Karachi Stock Exchange, will provide 17 per Although analysts say Islamabad had no choice but to cent of Pakistan's electricity once its four thermal units adopt a fast-track strategy to plug the power gap - on the advice of the World Bank - the come nn stream by March, 1997. WAPDA will be Hubco's government, by doing so, has When it was first proposed in sown the soeds of foreign 1985, Hubco was Asia's largest oxchange supply and other IPP. However it was not until problems.

> come shortly, once powar plants start to suck in imports of large capital equipment. An additional strain will be a sharp increase in fuel imports when power plants start generating power. Sensing the scale of the problem, the government last month capped tho number of projects that rely on fuel imports and stipulated that future proposals would

"It was really not our choice,

indigenous resources

to go for oil fired (plants). We didn't like that, of course, as it creates n foreign exchange burdon," says Anis Kban, vice-president of the government's privata power and

WAPDA

WAPDA

WAPDA

WAPDA

WAPDA

WAPDA

KESC

Private sector power projects (after Hubco)

Combined cycle

Technology

Steam cycla

Oil-fined

Oil-fired

infrastructure board.
For KESC and WAPDA, the challenge will be to maintain a flow of cash to the IPPs from which the two utilities are buying power. This means improving collection from consumers, The first taste of this will which in the case of WAPDA, is "not very good at all", according to Hubco's Mr Woodroffe. A team from Hnbco is

training WAPDA staff to better collection methods. Once semi-privatised, KESC management will have to find ways of striking a balance between investor returns and politically sensitive consumer

Some industry analysts are already predicting electricity only be considered if they tap price rises of about 15 per cent in Karachi in the second half of this year.

needs.

"People are waking up to the realisation that these issues should have been given consideration then (in 1994). It will create enormous burdens for the government. The main question is bow is the consumer going to cope?" says one Karachi-based stockbroker.

nons/ES8

AES, IFC AES, IFC

Tomen Corp. Japan

**BC Hydro Canada** 

Tomen Corp. (FC,\Vartsila

Source: Admirary of Water and Figure

IPP investors ncknowledge these concerns but point out that Pokistan was probably the first developing country to offer government guarantees on foreign exchange availability to IPP investors.

As to the valua of such guarantees given the country's existing foreign exchange problems, they derive some comfort from the fact that Islamabad has never defaulted nn sovereign debt repayments. "If you look at the names involved in IPP in Pakistan, it's hard to say no-one takes a government guarantee seriously." says Mark Baughan, an analyst with UBS Securities in Hong Kong.

#### ■ Textiles: by Victor Mallet

## lagging behind the world

Reforms have been designed to make the industry more internationally competitive

For an industry that is the lifeblood of the economy, Pakistan's textile business has been remarkably slnw to

It did not bolp that Zulfikar Ali Bhntto, the country's leftleaning leader in the 1970s, discouraged private sector investment, inhihiting the growth of large private companies in the industry and consigning it to the care of thousands of smaller units with little ability to invest. Nor was the industry

improved by years of subsidies, or by recent export curbs

on raw cotton; this kept the costs of spinning cotton into yarn artificially low and allowed Pakistani spinners and the makors of coarse. undyed cloth to export their products on the basis of price rather than quality.

The result - for a sector earning half the export revenue - is overcapacity in spinning, an underdevolpped weaving industry that bas failed to move quickly into more lucrativo downstream products, and a fledgling garments industry that is only now beginning to take advantage of easily available raw materials and relatively cheap labour.

There was an over-expansinn in cotton spinning," laments V.A. Jafarey, tho prime minister's adviser on finance, who is eager for new sources of scarce foreign

exchange. "If they had invested even 10 per cent of that in garments . . . Mr Jafarey, and commercial

bankers in Karachi, reckon that Pakistan, which accounts for nearly a third of the world's yarn exports, could add value so as to earn five times as much as it does from cotton products today. "What Is lacking is management, investment," he says. "This is where we are encouraging forolgn investors to come in."

theft and sloppy billing prac-tices as was due to frail infra-

structure. Load-sbedding, the

diversion of supply from one

area to anothor due to short-

However, the power sector

has attracted koen interest

from foreign investors since a

now Private Power Policy was

introduced in March, 1994,

forming the basis for the indus-

try's shift from state control to

private ownership. This offers

the prospect of increased

capacity just whon the country

government plans to boost capacity to 17,000MW by 1998

and 25,000MW by 2003. A stra-

tegic 26 per cent of KESC is to

Under the policy, the Bhutto

age, is common.

needs it most.

Ahmed Bilal Mobyal, analyst at Karachi stockbrokers Ginhal Securities, agrees. Most of the the companies didn't need to market their products in the past. There has been very little improvement in product development and the adding of value." That may be about to

change. Twn years ngo the

government took nway subsidies, removing the artificial 20 per cent price advantage that spinners bad enjoyed and forcing them to face up to interna-

tional competition. Spinners, although confined largely to the manufacture of the kind of coarse yarn used in jeans because of the short staple (fibre) length of Pakistani cotton, have also moved into the spinning of cotton-polyester mixtures (partly encouraged by the local cotton sbortages of recent years).

Polyester manufacturers have been established to serve them, and they in turn will be supplied with locally-made pure terephthalic acid (PTA). their main raw material, when Imporial Chemical Industries has completed its \$450m PTA plant at the end of next year. Weavers are starting to

WAR WAR THE SAME AND A STREET OF THE SAME AND

make more sophisticated prodncts. And both local and foreign garment manufacturers are beginning to make their mark. Crescent Textile Mills. for example, has a stake in the recently-opened \$80m Crescent Greenwood jeans factory in Faisalahad

The size of a company appears to be an important factor in success in the Pakistani textile sector, because the financially stronger companies can buy large supplies of cotton when prices are low. They can also invest in downstream activities to compete with China and India on the world market as tariffs are reduced and country-by-country import quotas are eliminated under international trade agreements.

"It is fundamentally a big boys' business," says one Paki-stani banker in Karachi, "The quality controls that are needed in the value-added sector require a depth of management that is not available in the smaller companies. If the enff on a shirt for Levi's is not the same as the other cuff. then Levi's will reject it."

Even the big companies that in receot years have not forgotten how to complain, and some manufacturers are callcotton export ban.

ing for the reimposition of the imported raw materials, such They say the government export a finished product.

some imports are not eligible favours the cotion growers at the expense of industry for refunds, and for those that

Weavers In Pakistan are starting to make more sophisticated products because many MPs are "feu-

dals" or landlords with big

agricultural holdings, and

from the opposition to support

me of the MPs who defected

Benazir Bhutto's government are cotton producers. One specific problem is the rising cost of electricity, which avoided the losses and loan can account for 10 to 15 per Another is the rebate system whereby exporters can reclaim the duties and taxes on their as chemicals, when they

are eligible the rebate is calculated at an unjustly low level. the cloth and garment makers say. The government, furthermore, has a chronic budget deficit and a habit of delaying repayments that are due.

Your claim lies in customs for months because the government doesn't have the money," says Tariq Saigol, chairman of Kohinoor Textile Mills, one of the big manufac-

One of the supposed advantages enjoyed by Pakistan's textile businesses is a secure supply of domestically-protition, but many countries

don't produce raw cotton," says the banker in Karachi. "Some 60 per cent of value added business is in countries with no raw cotton." While there may be an element of truth in the argument

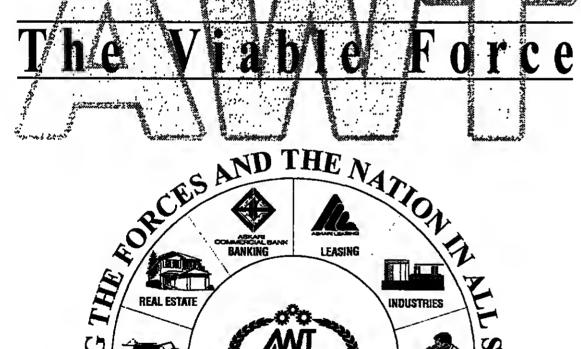
(Pakistani govornments are not beyond being persuaded to impose export bans, and reduced transport costs are certainly a benefit), it suggests that people are already starting to forget the purpose of the recent reforms and removal of subsidies: to make Pakistan's industry interna-

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Service to the nation - source of economic strength

■ Cotton: by Farhan Bokhari

## Bumper crop boosts economy

Almost 60 per cent of export income usually comes from cotton and cotton products

Sultan Ahmed Bhutta is eager to deal with unattended family matters at his village, Dera Mohammedi, outside the city of Multan, in the heart of Pakistan's cotton helt. The house needs a paint job, the bills from local shopkeepers have piled up, and one of his five sons has long been waiting to get married. This year, after a humper cotton crop, which has finally turned around the fortunes of thousands of cotton farmers lika Mr Bbutta, the family has money to deal with

all of those needs. The success enjoyed hy Mr Bhutta does not end at the borders of Pakistan's vast cotton belt, most of it in central Punjah province: the country'a ecocomy expects a breathing space after this year's good cot-ton harvest, which followed three successive years of crop damage caused by a large-scale attack of the "leaf-curi" virus. The government estimates the crop size to be more than 10m bales or 30 per cent more than last year.

Poor crops in previous years had upset official projections on such vital matters as export earnings and economic growth rates. That is because almost 60 per cent of Pakistan's export income usually comes from cotton and cotton products.

It was partly in expectation of a better crop this season that Islamabad accepted the tight conditions tied to an International Monetary Fund loan agreed in December. which was essential to shore np falling foreign exchange reserves and restore international confidence in the econ-

sell up to \$700m worth of raw cotton in international markets before the fiscal year ends in June. That would be equivalent to just under half the latest estimate of the country's official foreign exchanga

Out in the fields, there are many explanations for the good harvest, including the use of newer varieties of seeds and a substantial increase in the area under cultivation. Zahoor Ahmed, Pakistan's top cotton scientist who hoads tho national Cotton Research Insti-tute at Multan, says: "The area planted with the [leaf-curl] virus tolerant variety has increased to 60 per cent [of the crop land] and most of the varieties susceptible to pest attack have been eliminated."

Other officials say that farmers increased their cotton acreage because many believed in a traditional myth that pest attacks usually occur in threethe cyclo of doom affecting their land had ended. Besides, many growers were also tempted by rising prices of raw cotton in the local markets and were therefore prepared to

take the risk. That said, the lnng-term prospects for cotton are still unclear. Several problems remain unresolved and it is not certain that this season's per-

formance will be repeated Many farmers complain that adulteration of pesticides by unscrupulous traders and the rising price of fertilisers have hurt them badly.

Officials agree that the deregulation of the local pesticide market fiva years ago allowed many new entrants to start up businesses while there wera few government measures to ensure strict quality Last year, the government

announced tough new laws with a maximum seven-year prison sentence and fines of up to Rs500,000 for offenders, but the pesticida adulteration problem has continued because few

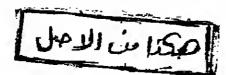
Mr Ahmed believes that "if some people were imprisoned the adulteration could disappear from this country".

Other issues that need to be resolved in the cotton belt are common to the agricultural sector as a whole, including inefficient irrigation, poor utilisation of land and widespread illiteracy.

The future of cotton in Pakistan will also be determined to a large extent by the future of the textile industry, the largest domestic consumer of raw cotton. Rising cotton prices are part of the reason for falling profits at many textile compa nies in recent years.

The government has encouraged textile husinessea to diversity and move downstream into the manufacturing of value-added products such as cloth and fashion garments.
One government official says: "If there is a turnaround in profits for textiles, growing cotton is bound to remain a profitable business."





## World Bank urges reforms

Millions of farm jobs could be jeopardised by the stagnation of agricultural output

One would not necessarily guess from the peaceful scenes in the villages of Punjab province, where farmers walk past pools of rain water in the alleyways between their thatched huts, that Pakistan's agriculfore faces difficult times.

The fertile Punjah has traditionally takeo pride in higher crop yields than the rest of Paklstan. In many ways, its inhabitants are more fortunate than those in the poorer areas. such as the deserts of oeighbouring Sindh province or the dry and rocky North West Frontier province.

Peosants in the Punjab were among the first in the country to enjoy satellite television, thanks to a proliferation of sat-

ellite dishes in small towns. Anecdotal evidence suggests that the American series Baywatch attracts a large number of viewers, many of whom cannot read or write.

But even Punjabi farmers may continue to live in harsh conditions - except for occasional breaks watching television at the home of one of their wealthy feudal landowners because farm incomes for the poor may he in long-term

According to a recent World Bank report, millions of agricultural jobs could be jeopardised by the stagnation of farm output unless the government introduces sweeping agricul-tural reforms. Other experis have made similar predictions, suggesting that imports of food add a heavy burden to the import bill.

"For 25 years, agricultural growth bas been a key source of growth in Pakistan's gross

domestic product," wrote Rashid Faruqee, the World Bank official who prepared the study. "The momentum may be running out."

The future of agriculture is crucial to Pakistan's economy. This year's economic recovery. with the overall growth rate edging up to 6.5 per cent, is largely led by a 40 per cent

The agriculture sector is under pressure to tighten its belt

over last year. Besides, more than half of the labour force is employed in agriculture, and the sector is responsible for 24 per cent of the country's gross domestic product. According to the World Bank, Pakistan needs to con-

sider reforms such as improv-

increase to the cotton crop

tion system, educating farmers to use the latest agricultural technology, and redistributing big land holdings among more farmers, so that smaller and more productive farms are created. Pakistani officials, however, are not terribly eager. The government has rejected the idea of turning over irrigation to a market-based system. for fear that private managers would exploit the canal network. But It has few alternative suggestions for dealing with the irrigation canals, which badly need to be repaired. There is stiff political opposition to land reforms,

largely because up to 70 per

cent of Pakistan's elected legis-

lators at the parliament in Islamahad and in the four provinces are themselves large landholders. Shah Mehmood Qureshi, a government minister who chaired a task force to examine the problems of the agriculture

ing its mefficient water irrigasector, says: "Countries that had restricted the size of land holdings, such as the former Soviet Union and eastern Europe, were also the ones faced with falling production levels, while those that have not restricted, such as those in western Europe, the US and growth in the agriculture sec-Mr Qureshi says the stagna-

> transfer of public sector resources for development to the urban areas, while rural areas were neglected during the past two decades. "Given the right incentives, we can turn around the performance of our agriculture sector." Still, the agriculture sector is

> under pressure to tighten its belt. A large portion of the official subsidies for inputs such as fertilisers bas been withdrawn. The government also plans to increase the hitherto

2002. According to a study by a

US consultancy last year, the

country will continue to rely

on Karachi port to handle 75

per cent of Pakistan'a seaborne

KPT officials say port con-

gestion has been kept to a min-

imum so far, partly thanks to a World Bank loan worth \$91m

extended in 1991, through

which the KPT has built new

jetties, bought dredgers and

started to rebuild a bridge and

road network outside the port.

But the officials admit that

cracks are appearing in the system. "The Achilles heel for

Pakistan is its port," says one

senior foreign oil industry offi-

According to KPT chairman

Rear Admiral Akhar H. Khan,

a graduate of Dartmouth Royal

Naval College in the UK, the

solution is containerisation:

"To cater for that [growth in traffic] it is absolutely impera-

tive for Karachi port to have a

dedicated container port termi-

nal, which regrettably we do

not have at this point in time."

The port has 28 berths but

remeated performs in present transmission of remeated in the second remeated transmission in the second remeated from the second remeated from the second remeated from the second second second second second second second second second from the second second from the second second from the second second

OPERATIONAL PERFORMANCE

The year 1996, was a difficult one

for Pakistan occorny to general and the Manacini sector in particular. Mart

decisions had to be taken by the

government to, one the one hand, remain he compliance with agreed macro-communic and budgetony trapels

end on the other procood with surgainties of the Americal sector.

deregalaction of the Renecial sector.

Against this beckney, Satismal

Bank of Fakletan turned in an
impressive performance in a difficult
and competitive servicement. In that
temport, 1950 was a well-raised in the
history of the bank. At the consciouse
of the year NSP unequivecally
satisfished limit as the premier bank
of the country. All the make operational
parameters of the bank recorded major
increases.

Deposits
IEF become the first bank in
Palestan Sweign as wall as local to
crose the En. 200 billion mank, to
become the En. 200 billion mank, to
become the larguest financial institution
of the country. Total deposits of the
bank stood at En. 208.3 billion
factousing from En. 170.5 billion
introducing from En. 170.5 billion
in 1994 which translated lates a growth of
27%. A remarkable finances of the year
was deposits mobilioned at overcome
branches, These increased by a beaking
35% over 1994 to stand at En. 40.8
billion.

Resource deployment, in terms of lending activities, howevered in Rt. 61.5 billion by 30% over the previous year's Signs. The bank was able to testain growth to advances despite stringent credit controls on passetary expersion, encorated by State Stak of Pakistan in inseveral effects to contain inflationary proteures.

Investments

There was a qualitative and

quantitative injervement in the management of resources of the bank. Total levestment, including various government securities, rose by shoot 1976 to Rs. 95.7 billion (1994; Rs. 85.1

trade for the next 30 years.



ering in the crop: Pakistan's farmers are facing hard times

minimal "wealth tax" collected of fertilisers, diesel fuel and

from agricultural lands, as part of an agreement with the International Monetary Fund. This year may be a difficult time to tackle such a sensitive issue as tax. Inflation in rural areas has already prompted

pesticides have shot up. Many farmers are also bitter over a steep increase of up to 30 per cent in power costs during the past 18 months, as part of a government plan to eliminate ubsidised electricity rates. in spite of the problems, the World Bank report indicates

some optimistic trends. For instance, the livestock sector now accounts for more than a third of the annual ontput from the agriculture sector, up from 15 per cent 20 years ago. Similarly, fisheries and forestry, though still minor contributors to the sector, have

Karachi port: by Jeremy Grant

## in the nation's lifeline

A \$369m master plan to modernise Karachi port is under

consideration

The acrid stench of heavy sulphur fuel oil-hangs in the air at the oil terminals in Karachi port as flags flutter over the yacht club across the bay.

A tangle of rusting pipes where ships unload fuel, molasses and other liquid cargo, and along a depression in the ground to oil installations nearby. Before the fuel reaches storage tanks, some of it is lost through leakage or theft by young men riding donkey carts through the area.

This is the "KPT Trench", which takes its name from the Karachi Port Trust (KPT) that has run the port since 1887. Despite its decrepit and clearly dangerous state, the KPT Trench is of vital strategic importance to Pakistan because almost all of the country's fuel imports flow through This is basically the lifeline of the whole country," says Syed Munir Ahmad, installation manager for Anglo-Dutch replaced years ago.

imports.

As it is, they struggle to cope with current demand; Pakistan imports 70 per cent of the fuel it needs and annual amounts are rising fast, According to Pakistan Petroleum Ltd, fuel imports are set to rise to 24m tonnes in 2000, from 10m tonnes estimated for this year and 5.2m tonnes in 1990. And Karachi looks set to continue bearing the brunt of fuel

Most of the extra fuel will be required to feed new, oil-fired power plants that the government needs to boost existing generating capacity nationwide to 17,000MW from 14,000MW in only two years.

However, the problems at the KPT Trench are only part of the story at Karachi port. It, too, is in need of a radical facelift. Facilities dating back to the days of British rule are still used, such as a 100-year-old wharf. The RPT itself is still housed in its original headquarters, a huge domed building which briefly saw service as a 500-bed bospital for troops in the first world war.

Traffic through Karachi was a mere 2m tonnes of cargo annually when Pakistan gained independence in 1947. many of its pipes date back to tonnes, with 38m estimated for the 1960s and should have been 1997-98 and 47m tonnes for vessels of 75,000 dwt. A World Bank-funded master plan completed early this year calls for the construction of a \$100m container terminal that would hoost annual container traffic to 1.9hn ten in 2022 from 990,000m teu in 2002 and

500,000 ten in 1996. Separately,

flerce criticism by farmers of government policy. The prices

Facilities dating back to the days of British rule are still used

American President Lines (APL) is understood to be considering a second container terminal involving an investment of \$80m on a build-operate-

Other projects in the plan are the construction of a hazardous cargo terminal, channel dredging and rehabilitation of other bridges and roads. The total cost of projects in the master plan is expected to be \$369m, with \$187m on loan

from the World Bank under an agreement to he signed this month. The target for comple-

However, progress with the exiating programme of upgrades has been slow. China's Yunnan Corporation is badly behind schedule on a \$40m bridge and road rehabilitation near the port and private sector interest in container terminal investment has been lukewarm, according to a study by the KPT's planning

and investment division.

An additional headache for the KPT is the apparent reluctance of the state-run railway to deal with railway congestion at the port, where rail tracks criss-cross an area used by trucks carrying fuel. All this does not bode well for KPT as tt tries to ensure targets are

With work progressing slowly and the World Bank deal still to be finalised, others have offered alternative solutions. Shell, Caltex of the US and Pakistan State Oil have suggested easing the burden on the KPT Trench by building an oil terminal at nearby Bundai Island, on the mouth of the Indus river. This roughly

\$100m facility would accommodate tankers of up to 120,000 dwt and connect to a pipeline, yet to be built and running north to a refinery in Punjab. Bechtel, the US engineering group, is to complete a feasibility study for the pipeline proj-

ect by June. Meanwhile, the KPT is likely to feel some extra pressure to get things moving as a result of increasing interest in Karachi from Pakistan's neighbours, who are eyeing Karachi port for the access it could give them to the Gulf's shipping lanes, According to Rear Admiral Khan, Islamabad only six months ago signed cross-border road pacts with Kazakhstan, Tajikistan, Kyrgyzstan and China as a first atep towards closer trade ties, and, eventually, possible access to Karachi port. Until this happens, the KPT

has an enormous task ahead to complete its programmes on time. The KPT's chairman, seated in a vast office complete with green leather-bound armchairs and nothing but the sound of an old English clock ticking in the background, is optimistic: "We are moving very fast in that direction."

The esmooth of conjugate branches has new been made an integral part of the brok's operational threat. Each individual account will be opened with a minimum deposit of No. 500,000. In sudar to develop "fast track" for the high achiever inflicent, the curporate branches will be headed by an officer of ar least "fast President franches the power.

h the first instruce, elx intenches are being lammediately converted into corporate branches. These sue boated at Karachi, Lahara. Rawalpindi, Peshawa. Justra, and Mirper (Amd Kaskoni), to the second place 14 more would be added during 1966.

U.S. Continuous I Paper Program.

In this regard the bank is inveshing a US demonitared 100 Million Commercial Paper. It supported by a direct pay letter of credit instead by a direct pay letter of credit instead by a first pank and syndicated among leading international financial institution with acceptable credit sating how Standard and Poor's and Meedy's. The facility is being stranged to finance trade related transpactions of goine quality between of the bank. Sank of America, are the strangers of the pagean, while Credit Salmon have agreed to be the frusting bank. The inter have also taken a shaw in the process of syndication at present. It is anticipated that the program would become effective by March 1996. The bank is sto is qualified that the program would become effective by March 1996. The bank is sto is qualified facility of U.S. 50 million

Chancing facility of U.S. 50 miles

to order to dive

Quetta: by Jeremy Grant

Karachi fishermen: the port is in need of a facelift

## On the border of violence

#Baluchistan is greated to the arrest of Pakistan by conly the loosest.... inpolitical threads

mil Kalashnikov machine guns hamake you nervous, you proba-rebly won't feel comfortable hav-oring dinner with Nawab Mohammed Aslam Raisani. For at most times of the day and might, the chief of the Raisani clan is rarely without his turhaned bodyguard.

lo fact, you may not be entirely happy about the attititude of the doorman who receives visitors at Mr Raisani's detached villa in central Quetta. He. too, carries a

Kalashnikov, and has an unsettling habit of fingering it as he checks visitors' identity. But this is Baluchistan, a province of Pakistan where dhurst". tribal violence and brigandry are as much a part of the dally in 1935 by an earthquake,

routine as prayer to the Mos-lems of Islamabad, Karachi and Lahore. It is therefore easy, after seeing other parts of the rountry, to feel that Baluchistan is connected to the rest of Pakistan by only the loosest political and cultural threads.

The town's location, in a dramatic setting ringed by mountains only 80km from the Afghan border, reinforces this impression. From the earliest days, Quetta was nothing more than a military pit stop on the way to Afghanistan. Deemed strategically important to the British in the 19th ceatury, the town became a military arseoal in 1877, supplying troops on their way north to Afghanistan

The British even chose Quetta as the site of the Indian Staff College. The Lonely Planet guide book describes it as "the Raj's answer to San-

Although virtually levelled

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FAROOQ A. GHAFFAR

past in some of the colonial buildings that have survived since the town was rehuilt shortly afterwards.

It population was - and still a colourful mix of tribes, mainly Pashtuns, Balnchs and Brahuis, although there are Hazaras and smaller groups. The Pashtuns are close ethnically and culturally, to the

indeed, it was Quetta that spawned the mainly student Taliban movement besleging the Afghan capital Kabul. It is here, also, that Afghan refugees have lived in camps ringing the city since the Soviet invasion of Afghanistan in 1979. There are currently 400,000 of them.

For centuries, rivalry between the tribes has been fierce and the complexity of inter-clan relationships was too much for the British, who realised the expediency of allowing the tribes of Baluchistan a degree of feudal autonomy. islamabad appears to take the same view and has allowed

the British system to survive. Local feudal chiefs still wield considerable powers and maintain small militia. Nevertbeless, the relationship between the central government and Baluchistan's

splintered tribal groupings is Clan militia find that token attacks on the province's infrastructure are a useful way of reminding Islamabad of the apparent limits of the centre's powers. Visits to Quetta by top

in his study, Mr Raisani offers his visitors a perspective into local politics: "I am at war with three tribes. That's the reality here." He brushes cigarette ash from his brown leather jacket and strokes an

central government officials

abundant black beard. This is no exaggeration. His father was "assassinated" by a rival clan recently on the valley road near Quetta. A few weeks back, one of his tribesmen was killed in a gup battle in another part of town. There

However, as finance minister of Baluchistan from 1991-1993, Mr Raisani has experienced the

Like Pakistan's other provinces. Balnchistan has an elected assembly. However, the difference here is that five tribes and at least the same number of parties are represented, causing squabbles and legislative paralysis.

"We need to move towards a polity that is more decisive. It's a hodge-podge. When you have hodge-podge, you have no discipline," says Mr Ralsani. Suddenly, at his elbow, a red

phone rings. It is one of his political activists, wondering if the meeting scheduled for the next day is still on. Despite los-1993 elections ("I lost because of the drug Mafia") Mr Raisani wants to return to politics. His brother is the province's industry minister.

He is flirting with the idea of joining the PPP, the ruling party of prime minister Benazir Bhutto, switching his alle giance from the Pakistan

This is perhaps surprising from a man whose political heroes include the central American revolutionary Che Guevara and the Avatollah Khomeini, late spiritual leader of Iran. Pictures of these two are displayed prominently on a mantelpiece opposite a photograph of Mr Raisani standing with Britain's Prince Philip during a trip to Baluchistan in

Quetta was always a frontier town and it probably will stay that way. Unless. Mr Raisanl asserts, there is peace in Afghanistan. "When there is peace in Alghanistan, you can imagine when this trade route is opened and the jobs generated for the people."

Until that happens, Baluchistan and Quetta will, for the visitor, still mean clan warfare, Afghan refugees and spectacularly scenery. As one native of Quetta in his fifties says, the system may be imperfect but it's a system that works for Baluchistan: "Yes, It is certainly somewhat chaotic. But we have a certain order in tribalism. With us, it's a tradition of give and take in the other provinces where there's no tribalism, there's no beginning and no end."



anaremoiders.

Mr. M.B. Abbani in his speech also highlighted the contends prepress of Pakistan during 1995. He said commany actioned a CEP growth of 4.4% in 1994-98. He pointed out dust agriculture sector should better professions as greath rose from 2.5% to 4.9%. Pollowing are some of the extracts of the appeals of Mr. M.B. Abbant, President of National Bunk of Publeton delivered at the assemi; general body

Recorde

This aspect of the bank's operations received top princity of the management. The received so follows the management. The received so follows to the parti-present does indicate that not only district surpose the partie and far the princes the bunk also entperiment the compatition. Against Mr. 1.8 billion recovered in 1994, the bank recovered En. 3.8 billion in 1994, the bank recovered En. 3.8 billion in 1994.

The momentum of the previous year was maintained, to 1094, the pretor profit yearliest, gave the back the 
singular distinction of being the mast 
profitable beaking implication in the 
country, in 1995 NPP retained its top 
ranking and the pre-tor profit for the 
year stood at No. 5.1 hillion (1994; 2.5 billion).

that respect the bank has an interactional standing that is not unjuyed by may other Pakistani bank

This year, the bunk's fereign spendions were emphasized as a gradit matra. Due to these affects, the net increased from USA 867.5 million to USA 1.165.5 million, Similarly, there

The ferrida quartery deposits of the bask showed a high proach rate (1976) to reach over 1976 FOO million. Resultinances from expectrate Pakietanucies (principality in Morth America, Gelff, Europe and S.E. Ashij are an important source of income for the bank, and inflows of more than Nr. 7.5 hillion into Pakietanu were elemented through the bank. As the president financial institution handling international trade of the country, NRP has a bay rate in financing largests and superity. Parks in the source of Rs. 56, this bank handled fiveigh trade to the order of Rs. 56, this in the source of Rs. 56, this content to take advantage of the enemging to take advantage of the enemging

bank opened a sepresentative office in the region (of Toobkeet), bringing its total interestional presence to 25

**Annual General Body Meeting** 

National Bank of Pakistan: tremendous progress in 1995

Today mure thou 6 million ciliants back with 1859 (1994: 5.5 million). These contours no served by U.S.Y branches all over faddetan, During 1995 the bank opened 74 new branches, giving it, one of the largest branch

1996: HEW DOTTATIVES

of the Beak Mr. Abbest Sald The unique role of REF in Pathstar's linearial vector, confers on the institution a deal responsibility to be a communical bank in its own right; and at the same time, as a brustee of public famous, teact as a contodian of the public interest.

Corporate Culture

Industrial 1995, the National Sent-of Publishes initiated an ambitious and for sighted Corporate Culture Change programme in collaboration with Price Watchings and A.F. Purginess & Co. Waterhouse and A.F. Purposon & Ca.
In this purposetive, RBP has defined for lineff a course where it will endouver by maximize his impact commensurate with the size and scale of operations, in order to change the brank's posture from manching the prometive, four major around high prometive, four major around high glocal for commented places of methous.

15) Operations & Marketing: Strategic Management Flori Infe

NEW PRODUCTS AND SERVICES Discount Bests Nutbreat Discounting Services Ltd., has been inneshed as a wholly owned subsidiery of CWP. With a septral base of its. 500 million, it will septral commerce, industry and the finencial nature for the discounting the commercial nature for the discounting the commercial

sector in the clear Trade Bille/Letters of Credit/ Accounts Espelvable ant Securities

States of Listed Communica

Overseas branches:

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TAJIKISTAN

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#### Karachi: by Victor Mallet and Farhan Bokhari Conflict of ideas

Life in the financial centre of Pakistan has been severely disrupted by violence

The sight of the security forces with their semi-automatic weapons peering out from sand bagged hunkers in the centre of Karachi is not one to inspire foreign investors with confidence in the Pakistani

Of all the problems faced hy the government of Benazir Bhutto, the political violence in Karachi has been the most intractable - and the most damaging to business.

With a population of some and financial centre of the country and the main port. accounting for 60 per cent of the nation's tax receipts and most of its trade. But life in the city has been severely disrupted by fighting between the government and the Mohaji Qaumi Movement IMQMI, which represents the refugees who fled from India at partition in 1947.

More than 2,100 people were killed in Karachi last year. The MOM has called numerous protest strikes and the govern ment has switched off the city's mobile telephone systems to hamper the communications of MQM guerrillas. Some Pakistani and foreign businesses have moved their offices and factories, either to safer areas in Karachi or to other cities such as Islamabad. and occasionally abroad.

"More concerted efforts are required (to revive the economy] hecause with this bad patch of terrorism and strikes, a lot of industries have closed down and moved from Karachi. says Jameel Yusuf, a husinessman who heads the Citizens-Police Liaison Committee, which monitors crime in the city. "So there'll he fewer joh opportunities, and when there are fewer joh opportunities there's a fear that crime may increase."

Rarachi, in short, symbolises much of what is wrong with Pakistan: conflicts between ethnic groups, a lack of a national identity, the spread of crime, poor services for transport, education and sanitation and an often corrupt political. system based on a mixture of

intimidation and patronage. The situation has, however, improved markedly in recent months. This appears to be the result of a ruthless governand kill MQM suspects. Dozens have been arrested and then shot, with the authorities claiming to have killed them in transparently manufactured "encounters" and "gun hattles". One of the most prominent such victims was Mnhammed Naeem Sherri, a 26-year-old with a price of Rs5m on his head who was killed on March 11: pictures of his hlood-soaked hody were shown on the front pages of

local newspapers. Despite the short-term success of the government's latest drive against the MQM, many Pakistanis from human rights activists to Karachi businessmen - say the "extra-judicial" killings may be counterproductive and insist that there will have to be a

negotiated end to the conflict. "The average body count has gone down to one or two a day. They have really broken the back of the militants," said the editor of a Pakistani political magazine recently. "But a lot

#### More than 2,100 people were killed in Karachi in 1995

of innocent people have been killed on the way and you create new terrorists when you do

MQM memhers, however, are no angels. The organisation (its name means "refugees national movement") was once an ordinary political party hut had a reputation while in local government for torturing and intimidating Its opponents. It went underground four years ago after an army crackdown. Its leader, Altaf Hussain, lives in exile in north London; he has applied to the UK for political asylum. "Long live Altaf!" say the graffiti scrawled on the

dusty walls of Karachi slums. The MQM represents the millions of mohajirs, or refugees, who say they have suffered discrimination in jobs and other areas at the hands of Sindhi nationalists. The ruling party of Ms Bhntto, the Pakistan People's Party, has a particularly strong base in Sindh, and the emergence of the MQM was sponsored by the late dictator General Zia ul-Haq as a

counterweight to the PPP. Elsewhere in Pakistan, the Urdu-speaking mohajirs were more easily integrated. Language was an important factor: Urdu is much closer to Punjabl than to Sindhi. In Sindh the ment campaign to hunt down resentment between the moba-

Our US \$450 million

investment is fast

taking shape in

Pakistan.

Late last year [C] Pakistan announced plans for a plant of Pure

Terephthalic Acid (PTA) -an essential raw material for the manufacture

of polyester products. The 400,000 tonnes PTA Plant is being built on a

100 uero site at Port Qasim near Karacht at an estimated cost of US \$450

million. This will not only make Pakistan self-sufficient in PTA but will

by the first of its type plant with proven ICI technology, Among the immediate benefits will be annual savings of about US \$100 million

through import substitution and a significant strengthening of the local

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The construction of the PTA Project, scheduled for completion in

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piling stage for the core plant

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periods bave been ordered and

shipment schedules agreed for

Foster Wheeler, a leading

company associated with the

moving forward on specific

construction of this project, are

on site, and together with the ICt

international engineering

Major Items of plant

November 1997, is well underway:

All the complex infrastructural

arrangements, specialty those

relating to water, power and

Arrangements and plans for

financing the project have been

total Project cost has already

Since the first approuncement

preparation has been completed.

been spent or committed.

in October 1995, the 'site'

with temporary civil works

nearing completion and the

Almost US \$200 million of the

raw materials, are in place.

jirs and the original residents remains strong

Mohajir grievances have heen intensified by Pakistan's failure to adjust its political increasing number of citydwellers, many of them mohajirs. There has been nn census since 1981 and the distribution of seata in the national parliament, where fendal rural landlords hold sway as MPs, is weighted heavily in favour of the countryside and against the urban middle-class citizens

who run the MQM. complications Further include the existence of an organisation called MQM-Haqiqi ("the real MQM"), which is regarded as a front for government informers, and the tendency of handits to use the MQM umbrella to hide their criminal activities. Drug-related crime and feuds between Sunni and Shia Moslems have also been behind some of the

Numerous weapons, many of them filtering down from the Afghan wars, are available to anyone who cares to huy the "In Karachi, arms are available like proceries, and you don't need an Oxford University degree to learn how to use a weapon," says Ajmal Dehlavi, a newspaper editor who heads the MQM's team for negotiating with the government.

He says there has been no meeting between the two sides since September and warns of a "hloody civil war" on Karachi's streets if Mr Hussain loses control of the movement's impatient militants in the absence of a settlement. He does not rule out a further fracturing of Pakistan (from which Bangladesh won its independence in a war in 1971). "If the mohajirs do not get

that would push them more towards disintegration," says In the meantime, there is still a chance for some kind of peace, with government officials suggesting that a quiet period of a few months could

be followed by local elections

in Karachi - which the MQM

representation in johs which

should be theirs by right, then

Foreigners and Pakistanis alike are longing for the day when the patrols of heavily armed Pakistani Rangers and the emplacements of sandbags on the city's roundabouts can be withdrawn. "I think the law and order situation has improved, hut the problem stays there," says Badruddin Khan, president of Schön

#### **PAKISTAN** Visitor's guide

economic reforms have opened new apportunities for investors. Here are a few tips for visitors:

Telecommunications Telephone tines have improved considerably in the past few years and many hotels allow sts to make direct itemational phone calls from their rooms. However, the charges for calls from hotel rooms are exorbitant, ometimes as much as double those charged by the local phona company.

Visitors to Islamabad and Lahore may find it useful to rent a mobile telephone through local contacts. E-mail networks are beginning to be introduced, though still have a long way to oo. Visitors can place overseas

computer calls from their rooms and access Compuserve or Internet through nodes in Europe or east Asia. In Karachi, visitors are still unable to rent a mobile telephone. The local

administration shut down the service last year, as part of a militants who were suspected of using mobile phones to communicata with each other. But Karachi has a large number of hotels and visitors can obtain large discounts compared with Islamabad and Lahore. That may, to some extent, help to enseta for making international calls from rooms

Health hazards Similar to those in some of the other Asian countries. Take

19.5

10.14

21.5

1.87

31.8

798.8

27.9

N/A

34.7

#### **KEY FACTS**

Area	796	3,095 sq km		
Population	129.7m <sup>1</sup>			
Head of state				
Prime minister	Benazir Bhutto			
Average exchange rate	1995 \$1=Rs31.5995 1996* \$1=Rs34.3226			
Currency				
ECONOMY				
	19954	19965		
Real GDP growth (%)3	4.7	6.5		
% share of GDP				
Agriculture	24	N/A		
Industry	27	N/A		
Services	49	N/A		
GDP per head (\$)3	461	N/A		
Consumer price index rise (%)3	12.9	9.5		
Total investment as % of GDP3	19.1	19.3		
Savings as % of GDP <sup>8</sup>	14.9	15.3		
Budget deficit as % of GDP3	5.5	5.0		
Current a/c deficit as % of GDP3	3.5	4.1		
Exports (Sbn) (f.o.h.)3	7.88	N/A		



medical advice about innoculations or vaccinations before travelling. Try to avoid Mineral water can be purchased in many large general stores and is generally considered safe.

M Religious customs Pakistan is a Moslem country, and visitors are expected to dress and to act accordingly The sale of alcohol is officially banned though drinking does take place in the privacy of homes. Visitors are advised not to attempt to buy tiquor through illicit markets, largely because reliable contacts are needed to huy alcohol. An exception is non-Moslem visitors are allowed to order alcohol to be served in their rooms. But this requires a signature on several forms, one of which requires an undertaking that alcohol is not offered to

Business facilities Economic reforms have made life easier, in theory, for

business people. Governme Scenic attractions. sanctions are not required for w ventures though an LOS (letter of support) from the relevant ministry is sometimes essential to arrange financing whether the infrastructure eeded for a project - power, roads and telephones especially in remota areas, is available. Liberalisation of banking has helped to create mountain area. large local foreign exchange

counterfeit currency notes. Book flights on domestic routes through a reputable travel agent before visiting Pakistan. Make sure that these flights are confirmed on arrival because reservations can go astray. The Islamabad to Lahore route is

market which generally offers

better rates than the official rate

nffered by banks. Watch out for

pecially congested Trains are slow and road traffic conditions can be dangerous, due to speeding buses and trucks.

Pakistan offers beautiful scenery in a number of its regions. Towards the north, Gilgit and Hunza, close to the Chinese border, are the last towns before the Himalayan mountain ranges. Visitors to Islamabad, may care to make a day trip to Bhurban, near Murree, which is in the

Pakistani-controlled Kashmir is within easy reach of Bhurban. but foreigners sometimes need, prior permission to enter the territory. Travellers are not allowed to cross the temporary border between Indian and Pakistani Kashmir known as the "line of control".

Lahore, Pakistan's second. largest city, offers historical splendour as a backdrop to merging businesses. Try to visit the shrines of emperor Jehengir and empress Nur Jehan, outside the city. Karachl, in the south, is Pakistan's most urbanised city.

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Maria Con

■ Politics: by Farhan Bokhari

Exports % change on year

Imports % change on year

Foreign debt service as % of

foreign exchange earnings<sup>3</sup>

Remittances from Pakistanis abroad (Sbn)3

Foreign debt service as % of exports

Imports (Son) (f.o.h.)3

External debt (\$bn)

Domestic debt (Rsbn)

## Young democracy takes root

It will be a difficult task for leaders to inspire confidence in the political

system The low point of Pakistan's politics came when Zulfikar Ali Bhutto, the former prime minister, was hanged in 1979 after a controversial murder trial, two years after his removal from office in a mili-

tary coup.
The prime minister's execution once again disrupted a troubled democratic legacy that has been repeatedly interrupted by the military, and it cast further doubt on a judicial system already suffering from an image of corruption and

inefficiency.

As Pakistan commemorates the 17th anniversary of Mr Bhutto's death this month its politicians are still dogged by the crucial issue of putting democracy back on the rails The country needs to inspire public confidence in its lasders and the political system needs to he given legitimacy. But

that is a difficult task. Since independence 49 years been in office for only 25 years in total. Those years of civilian rule have heen tumultuous, largely because of frequent changes of government. Pakistan has so far seen 16 prime ministers, including Benazir Bhutto (daughter of the executed leader), elected for the second time in 1993.

Their average tenure has been around 19 months - or less than a third of the fiveyear terms for which they were elected. The only prime minister successfully to complete a term in office was Mr Bhutto, but he was hanged just two vears after General Zia ul-Haq's imposition of martial law in 1977.

Gen Zia stayed in power for 11 years, partly because of heavy flows of western aid. The money was in support of Pakistan's hacking for the Islamic mujahideen resisting the Soviet occupation of neighbouring Afghanistan.

Under Gen Zia, the concept of a free democracy was replaced hy that of a "controlled democracy"; he even held national elections in 1985, in which political parties were harred from the contest and candidates were allowed to run only as individuals. Although Gen Zia transferred power to a new cahinet and a civilian



assumed widespread powers for himself as president after amending the constitution.

Neither the new government nor the general survived long. Gen Zia sacked the goverument of Muhammad Khan Junejo, the prime minister, in 1988. Gen Zia himself died in a mysterinus plane crash in August that year, creating for the first time in over a decade a genuine opportunity for civil-

His departure from the scene ant only led the country back to civilian rule. It also coincided with the new wave of democracy in many parts of the developing world, which considerably weakened the ability of the Pakistan's generals to re-impose military rule. Still. Pakistan's return to democracy has not heen entirely smooth. Since 1988,

Pakistan has seen seven governments and three national elections. Such frequent changes have only added to uncertainty over the country's political system.

Besides, politics remains heavily polarised. In many circles Nawaz Sharif, the opposition leader and former prime minister, is still seen as a protegé of the late Gen Zia. Mr Sharif's PML (Pakistan Moslem League) party is regarded with suspicion by its opponents for maintaining close contacts with senior retired army officers who were associated with the former military regime. Ms Bhutto's ruling PPP

claims to be the flag bearer of damocracy, largely hecause many of its members were victimised by the military regime.

In reality, these differences are less significant than they appear because each party has thered significant support in other areas. Mr Sharif has managed to carve out a fairly large following among bustnessmen and shopkeepers. Much of Mr Sharif's support comes from the fact that he is the first businessman to have ruled the country; he was prime minister from 1990 to

The extent of Ms Bhutto's support from the rural areas, the traditional vote bank of the PPP, is not entirely clear. The PPP, and a hreakaway faction of the Moslem League which deserted Mr Sharif before the 1993 elections, together won a large number of seats in the countryside. But opposition leaders say that rural sentiment has turned against the government due to sharp rises



Nawaz Sharif: his party is regarded with suspicion by its opponents

electricity during the past

While Pakistan's young democracy takes root, the country's politicians are confronted with a number of pressing Issues. The gap between the rich and the poor has widened, and many of the poor do not have proper access to basic needs such as food, shelter, health care and clean water. An annual population growth rate of more than 3 per cent is creating more mouths to feed than the country can afford. And rampant corrup-tion eats away at public faith

in politicians. Politicians, generally the sci-ons of powerful rural families, are often seen as local lords who drive around in luxurious vehicles, chatting into mohile telephones and using their influence to violate laws with impunity.

"Our politicians are not politicians," says Asma Jehangir, Pakistan's leading human

rights lawyer. "They are either feudal or come in to politics through some other powerful connections."

But there are also signs of hope. The return to civilian rule has encouraged judges to deliver jndgments that are unfavourable to the government, something which very few dared do during the military's regime. In one such recent judgment, the supreme court decided that the government had no right to appoint judges without consulting the chief justice of the Supreme

Among other signs of improvement, the press has become indepandent and fiercely attacks government on

policy issues. Finally, the army shows few aigns of wanting to take power. in spite of the widespread belief that the two most important changes of government in the past eight years could not have taken place without the consent of the generals.



PAKISTAN'S LARGEST POWER PROJECT IS PROUD TO ANNOUNCE THAT THE ORIGINAL PROGRAMMED DATE FOR THE COMMENCEMENT OF ITS COMMERCIAL OPERATIONS

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